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FARM CREDIT ADMINISTRATION

Circular No. 20

LAWS
Pertaining to
FARM MORTGAGE LOANS

AS AMENDED TO FEBRUARY 1, 1934

**The Federal Farm Loan Act and other acts of Congress
relating to farm mortgage loans, together with general provisions
of law relative to the Farm Credit Administration, as compiled
in chapter 7 of title 12 of the United States Code**

Issued by the
FARM CREDIT ADMINISTRATION

February 1934



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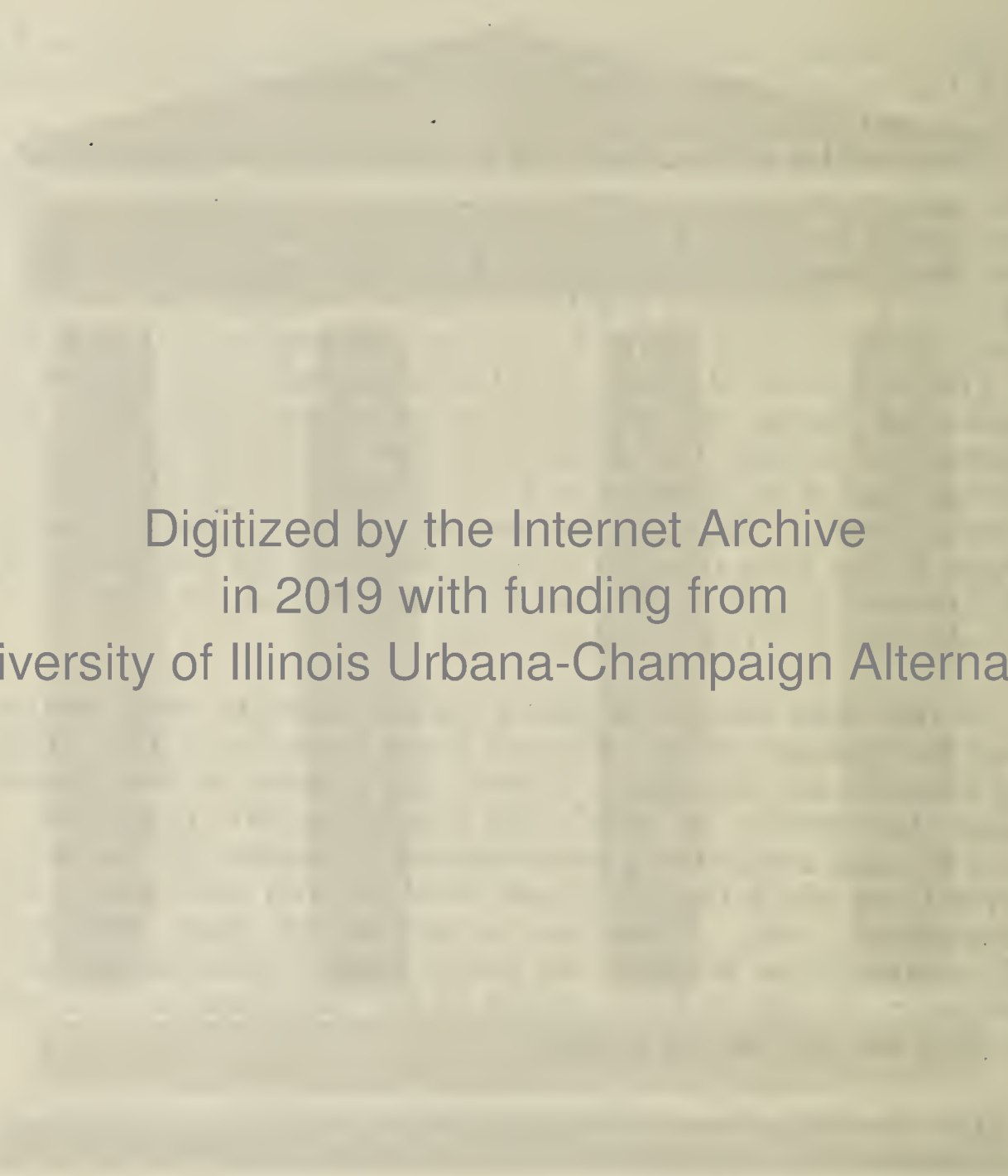
This circular contains all general provisions, by acts of Congress and Executive Order, relating to the establishment and operation of the Farm Credit Administration.

This circular also contains all provisions of the Federal Farm Loan Act and amendments thereto relating to Federal land banks, joint stock land banks and national farm loan associations; together with the provisions of the Emergency Farm Mortgage Act of 1933 relative to loans to farmers by the Land Bank Commissioner, and the provisions of the Federal Farm Mortgage Corporation Act of 1934.

The provisions of the acts of Congress and of the Executive Order contained herein are set forth in accordance with the codification thereof in chapter 7 of Title 12 of the official Code of Laws of the United States of America in Force December 26, 1926, and supplements thereto. Through the courtesy of the Editor in Charge of the Code, it has been possible to include herein the provisions of an Act of January 31, 1934, in the form which will be used in the next supplement to Title 12, of the Code.

In the right margin of this circular, opposite each section which was incorporated in the Federal Farm Loan Act, either originally or by amendment thereto, is printed the number of the Federal Farm Loan Act section in which the provisions are contained. At the end of each section is a parenthetical reference to the act of Congress from which the provisions were derived and to any subsequent amendatory acts. Wherever a section has been affected by the Executive Order which is set forth at the beginning of this circular, reference to the Order is made in the parenthetical statement and note at the end of the section.

The sections and subchapters into which this circular is divided are numbered to correspond with the same material in the 7th chapter of Title 12 of the Code.



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LAWS PERTAINING TO FARM MORTGAGE LOANS

As Compiled in Chapter 7 of Title 12 of the United States Code

FARM CREDIT ADMINISTRATION

INTRODUCTORY

EXECUTIVE ORDER No. 6084

REORGANIZING AGRICULTURAL CREDIT AGENCIES OF THE UNITED STATES

Whereas sections 401 and 403 of Title IV of Part II of the Legislative Appropriation Act, fiscal year 1933, as amended by an act of Congress approved March 3, 1933, provide:

SEC. 401. The Congress hereby declares that a serious emergency exists by reason of the general economic depression; that it is imperative to reduce drastically governmental expenditures; and that such reduction may be accomplished in great measure by proceeding immediately under the provisions of this title.

Accordingly, the President shall investigate the present organization of all executive and administrative agencies of the Government and shall determine what changes therein are necessary to accomplish the following purposes:

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

(c) To group, coordinate, and consolidate executive and administrative agencies of the Government, as nearly as may be, according to major purposes;

(d) To reduce the number of such agencies by consolidating those having similar functions under a single head and by abolishing such agencies and/or such functions thereof as may not be necessary for the efficient conduct of the Government;

(e) To eliminate overlapping and duplication of effort; and

(f) To segregate regulatory agencies and functions from those of an administrative and executive character.

SEC. 403. Whenever the President, after investigation, shall find and declare that any regrouping, consolidation, transfer, or abolition of any executive agency or agencies and/or the functions thereof is necessary to accomplish any of the purposes set forth in section 401 of this title, he may by Executive order—

(a) Transfer the whole or any part of any executive agency and/or the functions thereof to the jurisdiction and control of any other executive agency;

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(b) Consolidate the functions vested in any executive agency; or
(c) Abolish the whole or any part of any executive agency and/or the functions thereof; and

(d) Designate and fix the name and functions of any consolidated activity or executive agency and the title, powers, and duties of its executive head; except that the President shall not have authority under this title to abolish or transfer an executive department and/or all the functions thereof.

Now, therefore, pursuant to the authority so vested in me, and after investigation, it is found and declared that the following changes in executive agencies and the functions thereof are necessary to accomplish the purposes set forth in section 401 above recited, and it is hereby ordered that:

(1) The functions of the Secretary of Agriculture as a member of the Federal Farm Board, and the offices of the appointed members of the Federal Farm Board, except the office of the member designated as chairman thereof, are abolished.

(2) The name of the Federal Farm Board is changed to the Farm Credit Administration.

(3) The name of the office of Chairman of the Federal Farm Board is changed to Governor of the Farm Credit Administration, and he is vested with all the powers and duties of the Federal Farm Board.

(4) The functions of the Secretary of the Treasury as a member of the Federal Farm Loan Board, and the offices of the appointed members of the Federal Farm Loan Board, except the office of the member designated as farm loan commissioner, are abolished, and all the powers and functions of the Federal Farm Loan Board are transferred to and vested in the farm loan commissioner, subject to the jurisdiction and control of the Farm Credit Administration as herein provided.

(5) There are transferred to the jurisdiction and control of the Farm Credit Administration:

(a) The Federal Farm Loan Bureau and the functions thereof; together with the functions of the Federal Farm Loan Board, including the functions of the Farm Loan Commissioner;

(b) The functions of the Treasury Department and the Department of Agriculture, and the Secretaries thereof, under Executive authorizations to give aid to farmers, dated July 26, 1918, and any extensions or amendments thereof;

(c) The functions of the Secretary of Agriculture under all provisions of law relating to the making of advances or loans to farmers, fruit growers, producers and owners of livestock and crops, and to individuals for the purpose of assisting in forming or increasing the capital stock of agricultural-credit corporations, livestock-loan companies, or like organizations, except Public Resolution No. 74, Seventieth Congress, approved December 21, 1928, providing for the Puerto Rican Hurricane Relief Commission;

(d) The Crop Production Loan Office and the Seed Loan Office of the Department of Agriculture, and the functions thereof;

(e) The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional agricultural credit corporations formed

LAWS PERTAINING TO FARM MORTGAGE LOANS

under section 201 (e) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof.

(6) The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions.

(7) The records, property (including office equipment), and personnel used and employed in the execution of the functions hereinbefore transferred are transferred to the jurisdiction and control of the Farm Credit Administration.

(8) The sum of \$2,000,000 of the unexpended balances of appropriations made to the Federal Farm Board by Public Resolutions No. 43 and No. 51 of the Seventy-second Congress shall be impounded and returned to the Treasury, which sum shall be in addition to the other savings to be effected by the Farm Credit Administration as a result of this order.

(9) The unexpended balances of appropriations to the Secretary of Agriculture, the Federal Farm Loan Bureau, and the Federal Farm Board for salaries, expenses, and all other administrative expenditures in the execution of the functions herein vested in the Farm Credit Administration shall be transferred to and vested in the Farm Credit Administration as a single fund for its use for salaries, expenses, and all other administrative expenditures for the execution of any or all of such functions without restriction as to the particular functions for the execution of which the same were originally appropriated. All other appropriations, allotments, and other funds available for use in connection with the functions and executive agencies hereby transferred and consolidated are hereby transferred to and vested in the Farm Credit Administration, and shall be available for use by it, for the same purposes as if the Farm Credit Administration were named in the law or authority providing such appropriations, allotments, or other funds.

(10) All power, authority, and duties conferred by law upon any officer, executive agency, or head thereof, from which or from whom transfer is hereinbefore made, in relation to the executive agency or function transferred, are transferred to and vested in the Governor of the Farm Credit Administration.

(11) The Governor of the Farm Credit Administration is directed to dismiss, furlough, transfer, or make other appropriate disposition of such of the officers and employees under his jurisdiction and control as are not required for the proper execution of the functions of the Farm Credit Administration.

(12) The Governor of the Farm Credit Administration is authorized to execute any and all functions and perform any and all duties vested in him through such persons as he shall by order designate or employ.

LAWS PERTAINING TO FARM MORTGAGE LOANS

(13) The Governor of the Farm Credit Administration, by order or rules and regulations, may consolidate, regroup, and transfer offices, bureaus, activities, and functions in the Farm Credit Administration, so far as may be required to carry out the purposes to which this order is directed, and may fix or change the names of such offices, bureaus, and activities and the duties, powers, and titles of their executive heads.

This order shall take effect upon the sixty-first calendar day after its transmission to Congress unless otherwise determined in accordance with the provisions of section 407 of the act cited above, as amended.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
March 27, 1933.

GENERAL ADMINISTRATIVE PROVISIONS

§ 636 **Farm Credit Administration; provisions relating to organization.**—The Governor of the Farm Credit Administration is authorized, in carrying out the powers and duties now or hereafter vested in him or the Farm Credit Administration by law or under any Executive order made under title IV of part II of the Legislative Appropriation Act of 1933, as amended, to establish, and to fix the powers and duties of, such divisions, agencies, corporations, and instrumentalities as he may deem necessary to the efficient functioning of the Farm Credit Administration and the successful execution of the powers and duties so vested in the Governor and the Farm Credit Administration. This section shall not be construed to restrict the authority of the President under title IV of such Act, as amended: *Provided*, That no salary or compensation shall be paid to any officer, agent, or other person employed under this section in excess of \$10,000 per annum. (May 12, 1933, c. 25, § 40, 48 Stat. 31.)

§ 637 **Land Bank Commissioner; functions under Executive Orders.**—If and when any Executive Order heretofore transmitted to the Congress pursuant to title IV of part II of the Legislative Appropriation Act of 1933, as amended, shall become effective, all functions, powers, authority, and duties conferred upon or vested in the Land Bank Commissioner by the Emergency Farm Mortgage Act of 1933 [sections 723, 771 (*seventh*) and (*twelfth*), 823 (note), 963a, 991 (second paragraph), and 1016–1019 of this chapter] shall be held and exercised by him subject to all the terms and conditions in any such Executive order the same as if such functions, powers, authority, and duties were specifically named in such Executive order or orders. (May 12, 1933, c. 25, § 39, 48 Stat. 31; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 638 **Commissioners in Farm Credit Administration; designation; appointment; salaries and expenses—**
(a) **Land Bank Commissioner.**—After June 16, 1933, the office of Farm Loan Commissioner shall be known as the office of the Land Bank Commissioner and the Farm Loan Commissioner shall be known as the Land Bank Commissioner. The provisions of section 653 of this chapter, prescribing a

term of office of eight years, shall not apply to incumbents hereafter appointed to the office of Land Bank Commissioner.

See secs. 652-655 for provisions relative to eligibility, appointment, traveling expenses, etc., of Commissioner.

(b) **Production Credit Commissioner; Cooperative Bank Commissioner; Intermediate Credit Commissioner.**—There shall be in the Farm Credit Administration three commissioners who shall be known, respectively, as the Production Credit Commissioner, the Cooperative Bank Commissioner, and the Intermediate Credit Commissioner. Such commissioners shall be appointed by the President, by and with the advice and consent of the Senate. They shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. Such commissioners shall perform such duties as may be assigned to them by law or by the governor of the Farm Credit Administration. (June 16, 1933, c. 98, § 80, 48 Stat. 273.)

§ 639 **Governor of Farm Credit Administration; supplementary grant of powers.**—The authority and powers conferred upon the governor under the Farm Credit Act of 1933 [subchapters IV, V, and VI of this chapter] shall not be construed to be in substitution for authority and powers conferred upon him under existing law but shall be construed to be supplementary to such authority and powers. (June 16, 1933, c. 98, § 82, 48 Stat. 273.)

§ 640 **Seal of Farm Credit Administration.**—The Farm Credit Administration shall have a seal, as adopted by the governor, which shall be judicially noticed. (June 16, 1933, c. 98, § 85, 48 Stat. 273.)

SUBCHAPTER I.—FEDERAL LAND BANKS, JOINT STOCK LAND BANKS, AND NA- TIONAL FARM LOAN ASSOCIATIONS

§ 641 **“Federal Farm Loan Act”; administration.**—
The act of July 17, 1916 (c. 245, 39 Stat. 360), as amended by act of March 4, 1923 (c. 252, 42 Stat. 1454), to include Federal intermediate credit banks may be cited as the “Federal Farm Loan Act.” Its administration shall be under the direction and control of the Farm Credit Administration, created pursuant to the preceding subchapter, captioned

F.F.L. Act
§ 1

"Introductory." (July 17, 1916, c. 245, § 1, 39 Stat. 360; Mar. 4, 1923, c. 252, §§ 1, 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

Act July 17, 1916, cited to the text, was entitled "An act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes."

§ 642 **"First mortgage" and "farm loan bonds" defined.**—Wherever the term "first mortgage" is used in this subchapter it shall be held to include such classes of first liens on farm lands as shall be approved by the Farm Credit Administration, and the credit instruments secured thereby. The term "farm loan bonds" shall be held to include all bonds secured by collateral deposited with a farm loan registrar under the terms of this subchapter; they shall be distinguished by the addition of the words "Federal", or "joint stock", as the case may be. (July 17, 1916, c. 245, § 2, 39 Stat. 360; Mar. 27, 1933, Ex. Or. 6084.) § 2

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

ADMINISTRATIVE PROVISIONS RELATIVE TO THIS SUBCHAPTER

§ 651 **Federal Farm Loan Bureau.**—There shall be at the seat of government a bureau charged with the execution of this subchapter and of subchapter III of this chapter and of all Acts amendatory thereof, to be known as the Federal Farm Loan Bureau, under the general supervision of the Farm Credit Administration. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.) § 3

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 652 **Federal Farm Loan Board; number of members; appointment; salaries; expenses.**—The Federal Farm Loan Board shall consist of seven members, including the Secretary of the Treasury, who shall be a member and chairman ex officio, and six members to be appointed by the President of the United States, by and with the advice and consent of the Senate. Of the six members to be appointed by the President, not more than three shall be ap- § 3

pointed from one political party, and all six of said members shall be citizens of the United States and shall devote their entire time to the business of the Federal Farm Loan Board; they shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. One of the additional members of the Federal Farm Loan Board, hereby provided for, shall be appointed for a term expiring August 6, 1929, and one for a term expiring August 6, 1931, and thereafter the terms of all members of the Federal Farm Loan Board shall be as in section 653 of this subchapter otherwise provided for. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Mar. 4, 1923, c. 252, § 301, 42 Stat. 1473.)

This section was rendered obsolete, by Executive Order 6084, except insofar as it affects the qualifications, appointment, salary, etc., of the Land Bank Commissioner, previously known as Farm Loan Commissioner. Section 653 no longer applies to the term of office of the Commissioner. See § 638 of this chapter.

§ 653 Terms of office; oath; Land Bank Commissioner.—One of the members of the Federal Farm Loan Board to be appointed by the President shall be designated by him to serve for two years, one for four years, one for six years, and one for eight years, and thereafter each member so appointed shall serve for a term of eight years, unless sooner removed for cause by the President. One of the members shall be designated by the President as the Land Bank Commissioner, who shall be the active executive officer of said board. Each member of the Federal Farm Loan Board shall within fifteen days after notice of his appointment take and subscribe to the oath of office. (July 17, 1916, c. 245, § 3, 39 Stat. 360; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 3

This section was rendered obsolete, by Executive Order 6084, except insofar as it affects the Land Bank Commissioner, previously known as Farm Loan Commissioner; it no longer applies to the term of office of the Commissioner. See § 638 of this chapter.

§ 654 Eligibility of members; restriction on right to engage in other business.—No member of the Federal Farm Loan Board shall, during his continuance in office, be an officer or director of any other institution, association, or partnership engaged in banking, or in the business of making land mortgage loans or selling land mortgages. Before entering upon his duties as a member of the Federal Farm Loan Board each member shall certify under oath to the President that he is eligible under this section. (July 17, 1916, c. 245, § 3, 39 Stat. 360.)

§ 3

This section was rendered obsolete, by Executive Order 6084, except insofar as it affects the Land Bank Commissioner, previously known as Farm Loan Commissioner. See § 638 of this chapter.

§ 655 **Filling vacancies on board.**—The President shall § 3
have the power, by and with the advice and consent
of the Senate to fill any vacancy occurring in the
membership of the Federal Farm Loan Board; if
such vacancy shall be filled during the recess of the
Senate a commission shall be granted which shall
expire at the end of the next session. (July 17,
1916, c. 245, § 3, 39 Stat. 360.)

This section was rendered obsolete, by Executive Order 6084, except
insofar as it affects the Land Bank Commissioner, previously known as
Farm Loan Commissioner. See § 638 of this chapter.

§ 656 **Registrars, appraisers, and examiners: appoint- § 3**
ment ; restriction on right to engage in other
business.—The Farm Credit Administration shall
appoint a farm loan registrar in each land bank
district to receive applications for issues of farm
loan bonds and to perform such other services as
are prescribed by this chapter, and may appoint
a deputy registrar who shall during the unavoidable
absence or disability of the registrar perform the
duties of that office. It shall also appoint one or
more land bank appraisers for each land bank dis-
trict and as many land bank examiners as it shall
deem necessary. Farm loan registrars, deputy
registrars, land bank appraisers, and land bank ex-
aminers appointed under this section shall be public
officials and shall, during their continuance in office,
have no connection with or interest in any other in-
stitution, association, or partnership engaged in
banking or in the business of making land mortgage
loans or selling land mortgages: *Provided*, That this
limitation shall not apply to persons employed by
the Administration temporarily to do special work.
(July 17, 1916, c. 245, § 3, 39 Stat. 361; Apr. 20, 1920,
c. 154, § 1, 41 Stat. 570; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in
the text were substituted for "Federal Farm Loan Board" and "board,"
respectively, pursuant to the Executive Order cited thereto, which is set
out in full at the beginning of this chapter.

§ 657 **Salaries and expenses; provision for payment.**— § 3
The amount of the salaries and expenses of
the employees engaged in the work of the division
of examinations of the Federal Farm Loan Bureau
as estimated by the Farm Credit Administration
shall be paid by the Federal land banks, joint stock
land banks, and the Federal intermediate credit
banks, as follows:

The Farm Credit Administration shall, prior to
the first days of January and July of each year,
estimate the expenses and salaries of the employees
engaged as aforesaid, and apportion the same among

the Federal land banks, joint stock land banks, and the Federal intermediate credit banks on such equitable basis as the Farm Credit Administration shall determine, giving due consideration to time and expense necessarily incident to the supervision of the operation of each type of bank, and making assessment on each of such banks pursuant to such apportionment, payable on the first days of January and July next ensuing. The funds collected pursuant to such assessments shall be deposited with the Treasurer of the United States under the miscellaneous receipts title "Assessments on Federal and joint stock land banks and Federal intermediate credit banks, salaries and expenses Farm Credit Administration," such expenses and salaries, together with all other expenses and salaries of the said administration, to be disbursed on appropriations duly made by the Congress.

If any deficiency shall occur in such fund during the half-year period for which it was estimated, the Farm Credit Administration shall have authority to make immediate assessments covering such deficiency against the Federal land banks, joint stock land banks, and Federal intermediate credit banks upon the same basis as the original assessment. If at the end of the six months' period there shall remain a surplus in such fund, it shall be deducted from the estimated expenses of the next six months' period when assessment is made for such period. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, § 302, 42 Stat. 1473; Mar. 4, 1925, c. 524, § 3, 43 Stat. 1262; June 26, 1930, c. 613, 46 Stat. 815; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 658

Appraisers and inspectors; compensation; manner of payment.—Federal land bank appraisers, and appraisers or inspectors of Federal intermediate credit banks, shall receive such compensation as the Farm Credit Administration shall fix and shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks they serve, in such proportion and in such manner as the Farm Credit Administration shall order. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, § 302, 42 Stat. 1473; Mar. 4, 1925, c. 524, § 3, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 3

§ 659 **Attorneys, experts, and other employees; employment; salaries and fees.**—The Farm Credit Administration shall be authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as it may deem necessary to conduct the business of said administration [incident to the administration of this subchapter and subchapter III of this chapter]. All salaries and fees authorized in sections 651–664 of this chapter and not otherwise provided for shall be fixed in advance by said administration and shall be paid in the same manner as the salary of the Land Bank Commissioner. All such attorneys, experts, assistants, clerks, laborers, and other employees, and all registrars, examiners, and appraisers shall be appointed without regard to the provisions of sections 632, 635, 637, 638, and 640 to 642, of Title 5, Executive Departments and Government Officers and Employees (Act of Jan. 16, 1883, Twenty-second Statutes, page 403, and amendments thereto), or any rule or regulation made in pursuance thereof and may be classified without regard to chapter 13 of Title 5, [U.S. Code], Executive Departments and Government Officers and Employees (Classification Act of 1923 and amendments thereto): *Provided*, That nothing herein shall prevent the President from placing said employees in the classified service. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 4, 1925, c. 524, § 4, 43 Stat. 1263; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 660 **Statements of salaries paid by land banks.**—Every Federal land bank shall semiannually submit to the Farm Credit Administration a schedule showing the salaries or rates of compensation paid to its officers and employees. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 661 **Annual report.**—The Farm Credit Administration shall annually make a full report of its operations [under this subchapter and subchapter III of this chapter] to the Speaker of the House of Representa-

tives, who shall cause the same to be printed for the information of the Congress. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 662

Examinations and reports by land banks; appraisals of farm land; amortization tables.—The Farm Credit Administration shall from time to time require examinations and reports of condition of all land banks established under the provisions of this chapter and shall publish consolidated statements of the results thereof. It shall cause to be made appraisals of farm lands as provided by this chapter, and shall prepare and publish amortization tables which shall be used by national farm loan associations and land banks organized under this chapter. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

§ 3

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 663

Statements of condition of associations and land banks.—The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out quarterly by each such association or bank and transmitted to said administration. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

§ 3

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 664

Bulletins and circulars.—It shall be the duty of the Farm Credit Administration to prepare from time to time bulletins setting forth the principal features of this subchapter and of subchapter III of this chapter and through the Department of Agriculture or otherwise to distribute the same, particularly to the press, to agricultural journals, and to farmers' organizations; to prepare and distribute in the same manner circulars setting forth the principles and advantages of amortized farm loans and the protection afforded debtors under said subchapters, instructing farmers how to organize and conduct farm loan associations, and advising invest-

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ors of the merits and advantages of farm loan bonds; and to disseminate in its discretion information for the further instruction of farmers regarding the methods and principles of cooperative credit and organization. Said administration is instructed to lay before the Congress at each session its recommendations for further appropriations to carry out the objects of this section. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 665

Rules and regulations.—The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary or requisite for the efficient execution of the provisions of this subchapter and of subchapter III of this chapter, and/or of any Act or Acts amendatory thereof or supplementary thereto. (Jan. 23, 1932, c. 9, § 6, 47 Stat. 14; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

ORGANIZATION OF FEDERAL LAND BANKS

§ 671

Federal land bank districts.—As soon as practicable the Farm Credit Administration shall divide the continental United States, excluding Alaska, into twelve districts, which shall be known as Federal land bank districts, and may be designated by number. Said districts shall be apportioned with due regard to the farm loan needs of the country, but no such district shall contain a fractional part of any State. The boundaries thereof may be readjusted from time to time in the discretion of said administration. (July 17, 1916, c. 245, § 4, 39 Stat. 362; March 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 672

Establishment; titles; branches; Puerto Rico and Alaska; Hawaii; loans by branches.—The Farm Credit Administration shall establish in each Federal land bank district a Federal land bank, with its principal office located in such city within the district as said administration shall designate.

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Each Federal land bank shall include in its title the name of the city in which it is located. Subject to the approval of the Farm Credit Administration, any Federal land bank may establish branches within the land bank district. Subject to the approval of the Farm Credit Administration and under such conditions as it may prescribe, the provisions of this subchapter and of subchapter III of this chapter are extended to the island of Puerto Rico and the Territory of Alaska; and the Farm Credit Administration shall designate a Federal land bank which is hereby authorized to establish a branch bank in Puerto Rico and a Federal land bank which is hereby authorized to establish a branch bank in the Territory of Alaska. The provisions of this subchapter and of subchapter III of this chapter and any Act amendatory thereof or supplementary thereto are extended to the Territory of Hawaii. The Farm Credit Administration shall include the territory in a Federal land bank district, and such Federal land bank as the administration may designate is authorized to establish branch banks in the Territory of Hawaii. Loans made by each such branch bank shall not exceed the sum of \$25,000 to any one borrower and shall be subject to the restrictions and provisions of this chapter, except that each such branch bank may loan direct to borrowers, and, subject to such regulations as the Farm Credit Administration may prescribe, the rate charged borrowers may be 1½ per centum in excess of the rate borne by the last preceding issue of farm loan bonds of the Federal land bank with which such branch bank is connected: *Provided*, That no loan shall be made in Puerto Rico or Alaska by such branch bank for a longer term than twenty years.

Each borrower through such branch bank shall subscribe and pay for stock in the Federal land bank with which it is connected in the sum of \$5 for each \$100 or fraction thereof borrowed; such stock shall be held by such Federal land bank as collateral security for the loan of the borrower; shall participate in all dividends; and upon full payment of the loan shall be canceled at par and proceeds paid to borrower, or the borrower may apply the same to the final payments on his loan. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Feb. 27, 1921, c. 78, 41 Stat. 1148; Mar. 4, 1923, c. 252, §§ 2, 303, 42 Stat. 1474; Mar. 10, 1924, c. 46, § 2, 43 Stat. 17; Mar. 4, 1929, c. 700, 45 Stat. 1558; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 673 **Temporary management.**—Each Federal land bank shall be temporarily managed by five directors appointed by the Farm Credit Administration. Said directors shall be citizens of the United States and residents of the district. They shall each give a surety bond, the premium on which shall be paid from the funds of the bank. They shall receive such compensation as the Farm Credit Administration shall fix. They shall choose from their number, by majority vote, a president, a vice president, a secretary, and a treasurer. They are further authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as they may deem necessary, and to fix their compensation, subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Mar. 27, 1933, Ex. Or. 6084.) § 4

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 674 **Organization certificates; contents.**—Said temporary directors shall, under their hands, forthwith make an organization certificate, which shall specifically state: § 4

First. The name assumed by such bank.

Second. The district within which its operations are to be carried on, and the particular city in which its principal office is to be located.

Third. The amount of capital stock and the number of shares into which the same is to be divided: *Provided*, That every Federal land bank organized under this subchapter shall by its articles of association permit an increase of its capital stock from time to time for the purpose of providing for the issue of shares to national farm loan associations and stockholders who may secure loans through agents of Federal land banks in accordance with the provisions of this subchapter.

Fourth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this subchapter. The organization certificate shall be acknowledged before a judge or clerk of some court of record or notary public, and shall be, together with the acknowledgment thereof, authenticated by the seal of such court or notary, transmitted to the Land Bank Commissioner, who shall record and carefully preserve the same in his office, where it shall be at all times open to public inspection. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 675 **Changes in organization certificate.**—The Farm Credit Administration is authorized to direct such changes in or additions to any such organization certificate, not inconsistent with this subchapter, as it may deem necessary or expedient. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 27, 1933, Ex. Or. 6084.) § 4

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 676 **Time of commencement of corporate existence; powers enumerated.**—Upon duly making and filing such organization certificate the bank shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power— § 4

First. To adopt and use a corporate seal.

Second. To have succession until it is dissolved by Act of Congress or under the provisions of this chapter.

Third. To make contracts.

Fourth. To sue and be sued, complain, interplead, and defend, in any court of law or equity, as fully as natural persons.

Fifth. To elect or appoint directors, and by its board of directors to elect a president and a vice president, appoint a secretary and a treasurer and other officers and employees, define their duties, require bonds of them, and fix the penalty thereof; by action of its board of directors dismiss such officers and employees, or any of them, at pleasure and appoint others to fill their places.

Sixth. To prescribe, by its board of directors, subject to the supervision and regulation of the Farm Credit Administration, bylaws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected, its officers elected or appointed, its property transferred, its general business conducted and the privileges granted to it by law exercised and enjoyed.

Seventh. To exercise, by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business herein described. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 677 **Time of termination of temporary management.**—After the subscriptions to stock in any Federal land bank by national farm loan associations, hereinafter authorized, shall have reached the sum of \$100,000, the officers and directors of said land bank shall be chosen as herein provided and shall, upon becoming duly qualified, take over the management of said land bank from the temporary officers selected under this section. (July 17, 1916, c. 245, § 4, 39 Stat. 363.) § 4

§ 678 **Directors; number and qualifications; local and district directors.**—The board of directors of every Federal land bank shall be selected as hereinafter specified and shall consist of seven members. Three of said directors shall be known as local directors and shall be chosen by and be representative of national farm loan associations and borrowers through agencies; three shall be known as district directors and shall be appointed by the Farm Credit Administration and represent the public interest. The term of office of local and district directors shall be three years.

The board of directors of every Federal land bank shall be selected as hereinafter specified and shall consist of seven members. Three of said directors shall be known as local directors of whom one shall be chosen by and be representative of national farm loan associations and borrowers through agencies, one shall be chosen by and be representative of Production Credit Associations organized under subchapter IV of this chapter, and one shall be chosen by and be representative of borrowers from regional Banks for Cooperatives organized under subchapter V of this chapter. Three of the seven directors shall be known as district directors and shall be appointed by the Governor of the Farm Credit Administration of whom two shall represent the public interest and one shall represent national farm loan associations and borrowers through agencies and such director shall be a borrower from a Federal land bank. The terms of office of local and district directors shall be three years. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1474; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 70 (a-1), 48 Stat. 271.)

The two paragraphs of this section should be read as follows: The first paragraph remains in effect until June 16, 1934, on which date it is superseded by the second paragraph; the effective date of the second paragraph is June 16, 1934. See also § 678a.

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 678a **Directors; limitation on effect of amendments of 1933.**—The second paragraphs of sections 678, 679, and 680, respectively, and the third paragraph of section 681 shall apply only to the appointment or election of the successors of directors of land banks whose regular terms expire after the effective date of such paragraphs [June 16, 1934]. The successors of the first local director whose regular term so expires shall be elected by and be representative of Production Credit Associations and the successors of the second local director whose regular term so expires shall be elected by and be representative of borrowers from Banks for Cooperatives. The successors of the third local director whose regular term so expires shall be elected by and be representative of national farm loan associations and borrowers through agencies. (June 16, 1933, c. 98, § 70 (b), 48 Stat. 269.)

§ 679 **Local directors; nomination of candidates.**—§ 4
At least two months before each election, the Farm Credit Administration shall divide each land bank district into three divisions, as nearly equal as possible according to number of borrowers and the voting strength of national farm loan associations and borrowers through agencies, and the Land Bank Commissioner shall thereupon notify each association and agency in writing that an election is to be held for one local director from each of said divisions and requesting each association and agency to nominate one candidate for each division. Within ten days of receipt of such notice each national farm loan association and borrower through agencies shall forward nominations of residents of their respective divisions for one director for such division to said Land Bank Commissioner. The Land Bank Commissioner shall then prepare a list of candidates for local directors, consisting of the ten persons receiving the highest number of votes from national farm loan associations and borrowers through agencies for each division.

At least two months before an election of a local director the Land Bank Commissioner shall cause notice in writing to be sent to those entitled to nominate candidates for such local director. In the case of an election of a director to represent national farm loan associations and borrowers through agencies, such notice shall be sent to all national farm loan associations and borrowers through agencies in the district; in the case of an election to represent Production Credit Associations, such notice shall be

sent to all Production Credit Associations in the district; and in the case of a director to represent borrowers from Banks for Cooperatives, such notice shall be sent to all cooperatives which are borrowers at the time of sending notice. Within ten days of receipt of such notice those entitled to nominate the director shall forward nominations of residents of the district to the Land Bank Commissioner. The Land Bank Commissioner shall, from such nominations, then prepare a list of candidates for such local director consisting of the ten nominees receiving the highest number of votes. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1474; June 16, 1933, c. 98, §§ 70 (a-2), 80 (a), 48 Stat. 269, 273.)

The two paragraphs of this section should be read as follows: The first paragraph remains in effect until June 16, 1934, on which date it is superseded by the second paragraph; the effective date of the second paragraph is June 16, 1934. See also § 678a.

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter

§ 680

Local directors; election.—At least one month before said election the Land Bank Commissioner shall mail to each national farm loan association and to each borrower through agencies the list of candidates for their respective divisions. The directors of each national farm loan association shall cast the vote of said association for one of the candidates on said list and shall forward said vote to the said Land Bank Commissioner within ten days after said list of candidates is received. In voting under this section each association shall be entitled to cast a number of votes equal to the total voting strength of the stockholders in association meetings, and each borrower through agencies shall be entitled to cast one vote for each share of stock held by him in the Federal land bank not exceeding twenty shares, and shall forward said vote to the said Land Bank Commissioner within ten days after said list of candidates is received. The candidate receiving the highest number of votes in his division shall be declared elected as local director of the Federal land bank district from his division. In case of a tie, the Land Bank Commissioner shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective associations and borrowers through agencies for such candidates, as counted, shall be tabulated and preserved, subject to examination by any candidate, for at least one year after the result of the election is announced.

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At least one month before the election of a local director the Land Bank Commissioner shall mail to each person or organization entitled to elect the local director the list of the ten candidates nominated in accordance with the tenth paragraph of this section. In the case of an election of a director to represent national farm loan associations and borrowers through agencies, the directors of each farm loan association shall cast the vote of such association for one of the candidates on the list. In voting under this section each such association shall be entitled to cast a number of votes equal to the number of stockholders of such association and each borrower through agencies shall be entitled to cast one vote. In voting under this section each Production Credit Association shall be entitled to cast a number of votes equal to the number of the class B stockholders of such associations. In voting under this section each cooperative which is a holder of stock in a Bank for Cooperatives (except the Governor of the Farm Credit Administration) shall be entitled to cast one vote. The votes shall be forwarded to the Land Bank Commissioner and no vote shall be counted unless forwarded to him within ten days after the list of candidates is received. In case of a tie the Land Bank Commissioner shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective voters, as counted, shall be tabulated and preserved and shall be subject to examination by any candidate for at least one year after the results of the election is announced. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1475; June 16, 1933, c. 98, §§ 70(a-3) and 80(a), 48 Stat. 269, 273.)

The two paragraphs of this section should be read as follows: The first paragraph remains in effect until June 16, 1934, on which date it is superseded by the second paragraph; the effective date of the second paragraph is June 16, 1934. See also § 678a.

§ 681

District directors; directors at large; appointment and election; vacancies.—The Farm Credit Administration shall designate one of the district directors to serve until December 31, 1924, one to serve till December 31, 1925, and one to serve till December 31, 1926. After their first appointment each district director shall be appointed for a term of three years. At the first regular meeting of the board of directors of each Federal land bank the local directors shall designate one of their members to serve till December 31, 1924, one to serve till

§ 4

December 31, 1925, and one to serve till December 31, 1926. Thereafter each local director shall be chosen as hereinbefore provided and shall hold office for a term of three years. Any vacancies that may occur in the board of directors shall be filled for the unexpired term in the manner provided herein for the original selection of such directors.

At the same time that the associations and borrowers through agencies nominate the candidates for the local directors, each association and each borrower through agencies shall also nominate one candidate for director at large for the entire district, and from the three persons having the greatest number of votes for nominee for director at large, the Farm Credit Administration shall select a director at large, whose term of office shall terminate on the 31st day of December, 1925, and every three years thereafter. Such seventh director may be removed by the Farm Credit Administration for neglect of duty, incapacity for the work, or malfeasance in office, after charges duly preferred and a hearing had thereon, and in such cases the associations of the district shall in like manner nominate candidates for another director at large, to fill the vacancy, for whom the Farm Credit Administration shall in same manner select a successor, but any person who is removed cannot be nominated to succeed himself.

The Governor of the Farm Credit Administration shall select a director at large for the district who shall hold his office during a term of three years. Such seventh director may be removed by the Governor of the Farm Credit Administration at any time.

The board of directors thus selected shall, upon qualification, immediately take over the management of each bank. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1475; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 70 (a-4), 48 Stat. 269.)

The second and third paragraphs of this section should be read as follows: The second paragraph remains in effect until June 16, 1934, on which date it is superseded by the third paragraph; the effective date of the third paragraph is June 16, 1934. See also § 678a.

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 682

Qualifications of directors; limitation on engagement in other business.—Directors of Federal land banks shall have been, for at least two years, residents of the district for which they are appointed or elected, and a local director shall be a resident of his division when elected. No district director of

§ 4

a Federal land bank shall, during his continuance in office, act as an officer, director, or employee of any other institution, association, or partnership engaged in banking or in the business of making or selling land mortgage loans. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1476.)

§ 683

Directors, officers and employees; compensation and allowances.—Directors of the Federal land bank shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their boards, to be paid by the respective Federal land banks. Not more than one director of a Federal land bank may serve the bank or the Farm Credit Administration as an officer or employee. Except with the approval of the Land Bank Commissioner, no director (other than the director who may be an officer or employee) shall receive compensation or allowances for any services rendered any Federal land bank in his capacity as director for more than thirty days in any one calendar year exclusive of the period for which compensation is paid for attendance at directors' meetings. Any compensation that may be provided by boards of directors of the Federal land banks for directors, officers, or employees shall be subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 70–80 (a), 48 Stat. 269, 273.)

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The second and third sentences of this section become effective Jan. 1, 1934.

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

CAPITAL STOCK OF FEDERAL LAND BANKS

§ 691

Capital stock; minimum amount of original capital; regulation of subscriptions.—Every Federal land bank shall have, before beginning business, a subscribed capital of not less than \$750,000. The Farm Credit Administration is authorized to prescribe the times and conditions of the payment of subscriptions to [original] capital stock, to reject any subscription in its discretion, and to require subscribers to furnish adequate security for the payment thereof. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084.)

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"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 692 **Capital stock; shares; value; who may subscribe to original stock.**—The capital stock of each Federal land bank shall be divided into shares of \$5 each, and may be subscribed for and held by any individual, firm, or corporation, or by the Government of any State or of the United States. (July 17, 1916, c. 245, § 5, 39 Stat. 364.) § 5

The provision for subscriptions by any individual, firm, or corporation applies only to original stock. See § 695, of this chapter.

§ 693 **Capital stock; transfer of stock held by national farm loan associations.**—Stock held by national farm loan associations shall not be transferred or hypothecated, and the certificates therefor shall so state. (July 17, 1916, c. 245, § 5, 39 Stat. 364.) § 5

§ 694 **Capital stock; dividends; voting stock.**—Stock owned by the Government of the United States in Federal land banks shall receive no dividends, but all other stock shall share in dividend distributions without preference. Each national farm loan association and the Government of the United States shall be entitled to one vote for each share of stock held by it in deciding all questions at meetings of shareholders, and no other shareholder shall be permitted to vote. Stock owned by the United States shall be voted by the Land Bank Commissioner, as directed by the Farm Credit Administration. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 17, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 5

Stock issued to the United States under the provisions of § 698 is nonvoting. See that section. For voting privileges of borrowers through agencies in election of directors of Federal land banks, see §§ 678-680.

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 695 **Subscriptions to original stock; subscriptions by United States for unsubscribed balance of original capital stock.**—It shall be the duty of the Farm Credit Administration, as soon as practicable after July 17, 1916, to open books of subscription for the capital stock of a Federal land bank in each Federal land bank district. If within thirty days after the opening of said books any part of the minimum capitalization of \$750,000, herein prescribed for Federal land banks shall remain unsubscribed, it shall be the duty of the Secretary of the Treasury to subscribe the balance thereof on behalf § 5

of the United States, said subscription to be subject to call in whole or in part by the board of directors of said land bank upon thirty days' notice with the approval of the Farm Credit Administration; and the Secretary of the Treasury is hereby authorized and directed to take out shares corresponding to the unsubscribed balance as called, and to pay for the same out of any moneys in the Treasury not otherwise appropriated. Thereafter no stock shall be issued except as hereinafter provided. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 696	Retirement of original stock.—After the subscriptions to capital stock by national farm loan associations shall amount to \$750,000 in any Federal land bank, said bank shall apply semiannually to the payment and retirement of the shares of stock which were issued to represent the subscriptions to the original capital twenty-five per centum of all sums thereafter subscribed by national farm loan associations, by borrowers through agencies, and by borrowers through branch banks to capital stock until all such original capital stock is retired at par. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Jan. 23, 1932, c. 9, § 1, 47 Stat. 12.)	§ 5
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§ 697	Proportion held in quick assets.—At least twenty-five per centum of that part of the capital of any Federal land bank for which stock is outstanding in the name of national farm loan associations shall be held in quick assets, and may consist of cash in the vaults of said land bank, or in deposits in member banks of the Federal reserve system, or in readily marketable securities which are approved under rules and regulations of the Farm Credit Administration: <i>Provided</i>, That not less than five per centum of such capital shall be invested in United States Government bonds. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084.)	§ 5
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"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 698	Subscriptions to additional stock by United States; terms; amount; retirement.—It shall be the duty of the Secretary of the Treasury on behalf of the United States, upon the request of the	§ 5
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board of directors of any Federal land bank made with the approval of the Farm Credit Administration, to subscribe from time to time for capital stock of such bank in an amount or amounts specified in such approval or approvals, such subscriptions to be subject to call in whole or in part by the board of directors of said bank upon thirty days' notice, with the approval of the Farm Credit Administration. The Secretary of the Treasury is hereby authorized and directed to take out and pay for shares having an aggregate par value equal to the amounts so called; and to enable the Secretary of the Treasury to pay for stock issued hereunder there is hereby authorized to be appropriated the sum of \$125,000,000, such stock to be nonvoting. Shares of stock issued pursuant to this paragraph shall be paid off at par and retired in the same manner as the original capital stock of said bank after said original stock outstanding, if any, has been paid off and retired: *Provided, however,* That stock issued pursuant to this paragraph may at any time, in the discretion of the directors and with the approval of the Farm Credit Administration, be paid off at par and retired in whole or in part; and that said Administration may at any time require such stock to be paid off at par and retired in whole or in part if in the opinion of the Administration the bank has resources available therefor. The proceeds of all repayments on account of stock issued pursuant to this paragraph shall be held in the Treasury of the United States and shall be available for the purpose of paying for other stock thereafter issued pursuant to this paragraph. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Jan. 23, 1932, c. 9, § 2, 47 Stat. 12; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

LAND BANKS AS GOVERNMENT DEPOSITARIES AND AGENTS

§ 701

Federal and joint stock land banks as Government depositaries and financial agents; surety bonds; investment of funds.—All Federal land banks and joint stock land banks organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and they may also be employed as financial agents of the Government; and they shall per-

§ 6

form all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. And the Secretary of the Treasury shall require of the Federal land banks and joint stock land banks thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safe-keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government. No Government funds deposited under the provisions of this section shall be invested in mortgage loans or farm loan bonds. (July 17, 1916, c. 245, § 6, 39 Stat. 365.)

Special deposits for temporary use, see § 991 of this chapter.

NATIONAL FARM LOAN ASSOCIATIONS GENERALLY

§ 711 **Organization; articles of association; signature; copies for land banks.**—Corporations to be known as national farm loan associations, may be organized by persons desiring to borrow money on farm mortgage security under the terms of this subchapter. Such persons shall enter into articles of association which shall specify in general terms the object for which the association is formed and the territory within which its operations are to be carried on, and which may contain any other provision, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. Said articles shall be signed by the persons uniting to form the association, and a copy thereof shall be forwarded to the Federal land bank for the district, to be filed and preserved in its office. (July 17, 1916, c. 245, § 7, 39 Stat. 365.) § 7

§ 712 **Directors; officers; loan committee.**—Every national farm loan association shall elect, in the manner prescribed for the election of directors of national banking associations, a board of not less than five directors, who shall hold office for the same period as directors of national banking associations. It shall be the duty of said board of directors to choose in such manner as they may prefer a secretary-treasurer, who shall receive such compensation as said board of directors shall determine. The board of directors shall elect a president, a vice president, and a loan committee of three members. (July 17, 1916, c. 245, § 7, 39 Stat. 365.) § 7

§ 713

Compensation and qualifications of directors.—

§ 7

The directors and all officers except the secretary-treasurer shall serve without compensation, unless the payment of salaries to them shall be approved by the Farm Credit Administration. All officers and directors except the secretary-treasurer shall, during their term of office, be bona fide residents of the territory within which the association is authorized to do business, and shall be shareholders of the association. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 714

Secretary-treasurer; powers and duties; bonds; reports; misconduct in office.—

§ 7

It shall be the duty of the secretary-treasurer of every national farm loan association to act as custodian of its funds and to deposit the same in such bank as the board of directors may designate, to pay over to borrowers all sums received for their account from the Federal land bank upon first mortgage as in this chapter prescribed, and to meet all other obligations of the association, subject to the orders of the board of directors and in accordance with the bylaws of the association. It shall be the duty of the secretary-treasurer, acting under the direction of the national farm loan association, to collect, receipt for, and transmit to the Federal land bank payments of interest, amortization installments, or principal arising out of loans made through the association. He shall be the custodian of the securities, records, papers, certificates of stock, and all documents relating to or bearing upon the conduct of the affairs of the association. He shall furnish a suitable surety bond to be prescribed and approved by the Farm Credit Administration for the proper performance of the duties imposed upon him under this chapter, which shall cover prompt collection and transmission of funds. He shall make a quarterly report to the Farm Credit Administration upon forms to be provided for that purpose. Upon request from said administration said secretary-treasurer shall furnish information regarding the condition of the national farm loan association for which he is acting, and he shall carry out all duly authorized orders of said administration. He shall assure himself from time to time that the loans made through the national farm loan association of which he is an officer are applied to the purposes set forth in the application of the borrower as approved, and shall forthwith report to the land bank

of the district any failure of any borrower to comply with the terms of his application or mortgage. He shall also ascertain and report to said bank the amount of any delinquent taxes on land mortgaged to said bank and the name of the delinquent. No such secretary-treasurer shall engage in the making of land mortgage loans eligible at a Federal land bank through or for any other land mortgage company or agency, and the making of any such loan by any secretary-treasurer shall forthwith work a forfeiture of his office. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1923, c. 252, § 305, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 715 **Expenses and salaries; payment from general funds; assessments.**—The reasonable expenses of the secretary-treasurer, the loan committee, and other officers and agents of national farm loan associations, and the salary of the secretary-treasurer, shall be paid from the general funds of the association, and the board of directors is authorized to set aside such sums as it shall deem requisite for that purpose and for other expenses of said association. When no such funds are available, the board of directors may levy an assessment on members in proportion to the amount of stock held by each, which may be repaid as soon as funds are available, or it may secure an advance from the Federal land bank of the district, to be repaid with interest at the rate of six per centum per annum, from dividends belonging to the said association. Said Federal land bank is hereby authorized to make such advance and to deduct such repayment. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

§ 716 **Number of incorporators; organization; directors; secretary-treasurer.**—Ten or more natural persons who are the owners, or about to become the owners, of farm land qualified as security for a mortgage loan under section 771 of this chapter, may unite to form a national farm loan association. They shall organize subject to the requirements and the conditions specified in sections 711–723 and in sections 671–683 of this chapter, so far as the same may be applicable: *Provided*, That the board of directors may consist of five members only, and instead of a secretary and a treasurer there shall be a secretary-treasurer, who need not be a share-holder of the association. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

§ 717 **Report and affidavit accompanying articles of association.**—When the articles of association are forwarded to the Federal land bank of the district as provided in this chapter, they shall be accompanied by the written report of the loan committee as required in section 751 of this chapter, and by an affidavit stating that each of the subscribers is the owner, or is about to become the owner, of farm land qualified under section 771 of this chapter as the basis of a mortgage loan; that the loan desired by each person is not more than \$10,000, nor less than \$100, and that the aggregate of the desired loans is not less than \$20,000; that said affidavit is accompanied by a subscription to stock in the Federal land bank equal to 5 per centum of the aggregate sum desired on mortgage loans; and that a temporary organization of said association has been formed by the election of a board of directors, a loan committee, and a secretary-treasurer who subscribes to said affidavit, giving his residence and post-office address. (July 17, 1916, c. 245, § 7, 39 Stat. 365.) § 7

See § 771 (Seventh), of this chapter, for maximum loan which may be made to any one borrower. The maximum limitation contained in the subsection last mentioned has twice been increased by amendments to the original provisions; and in the view of the Farm Credit Administration such amendments operated to increase the limitation stated in § 717.

§ 718 **Investigation of solvency of applicants for incorporation.**—Upon receipt of such articles of association, with the accompanying affidavit and stock subscription, the directors of said Federal land bank shall send an appraiser to investigate the solvency and character of the applicants and the value of their lands, and shall then determine whether in their judgment a charter should be granted to such association. They shall forward such articles of association and the accompanying affidavit to the Farm Credit Administration with their recommendation. If said recommendation is unfavorable, the charter shall be refused. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.) § 7

Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 719 **Grant or refusal of charter.**—If said recommendation is favorable, the Farm Credit Administration shall thereupon grant a charter to the applicants therefor, designating the territory in which such association may make loans, and shall forward § 7

said charter to said applicants through said Federal land bank: *Provided*, That said Farm Credit Administration may for good cause shown in any case refuse to grant a charter. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 720 **Authorization to receive funds to be loaned to members.**—Upon receipt of its charter such national farm loan association shall be authorized and empowered to receive from the Federal land bank of the district sums to be loaned to its members under the terms and conditions of this subchapter. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

§ 721 **Securing loans for members; subscriptions to stock of land bank as collateral; retirement of stock.**—Whenever any national farm loan association shall desire to secure for any member a loan on first mortgage from the Federal land bank of its district it shall subscribe for capital stock of said land bank to the amount of 5 per centum of such loan, such subscription to be paid in cash upon the granting of the loan by said land bank. Such capital stock shall be held by said land bank as collateral security for the payment of said loan, but said association shall be paid any dividends accruing and payable on said capital stock while it is outstanding. Such stock may, in the discretion of the directors, and with the approval of the Farm Credit Administration, be paid off at par and retired, and it shall be so paid off and retired upon full payment of the mortgage loan. In such case the national farm loan association shall pay off at par and retire the corresponding shares of its stock which were issued when said land bank stock was issued. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 722 **Federal land banks; limitation on reduction of capital stock.**—The capital stock of a Federal land bank shall not be reduced to an amount less than 5 per centum of the principal of the outstanding farm loan bonds issued by it. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

- § 723 **Federal land banks; direct loans—**(a) **Authorization to make direct loans; provisions relative to loans through associations applicable to direct loans.**—Whenever it shall appear to the Land Bank Commissioner that national farm loan associations have not been formed in any locality in the continental United States, or that the farmers residing in the territory covered by the charter of a national farm loan association are unable to apply to the Federal land bank of the district for loans on account of the inability of the bank to accept applications from such association, the Land Bank Commissioner shall authorize said bank to make direct loans to borrowers secured by first mortgages on farm lands situated within any such locality or territory. Except as herein otherwise specifically provided, all provisions of this chapter applicable with respect to loans made through national farm loan associations shall, insofar as practicable, apply with respect to such direct loans, and the Land Bank Commissioner is authorized to make such rules and regulations as he may deem necessary with respect to such direct loans. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 7
- § 723 (b) **Interest rate.**—The rate of interest on such direct loans made at any time by any Federal land bank shall be one half of 1 per centum per annum in excess of the rate of interest charged to borrowers on mortgage loans made at such time by the bank through national farm loan associations. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 7
- § 723 (c) **Subscription to stock; retirement of stock.**—Each borrower who obtains a direct loan from a Federal land bank shall subscribe and pay for stock in such bank in the sum of \$5 for each \$100 or fraction thereof borrowed. Such stock shall be held by such Federal land bank as collateral security for the loan of the borrower and shall participate in all dividends. Upon full payment of the loan such stock shall, if still outstanding, be canceled at par, or, in the event that such stock shall have become impaired, at the estimated value thereof as approved by the Land Bank Commissioner, and the proceeds thereof shall be paid to the borrower. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4,

1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933. c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 723

(d) **Organization of national farm loan association by direct borrowers.**—Each such borrower may covenant in his mortgage that, whenever there are ten or more borrowers who have obtained from a Federal land bank direct loans under the provisions of this section aggregating not less than \$20,000, and who reside in a locality which may, in the opinion of the Land Bank Commissioner, be conveniently covered by the charter of and served by a national farm loan association, he will unite with such other borrowers to form a national farm loan association. Such borrowers shall organize the association subject to the requirements and the conditions specified in sections 711–722, so far as the same may be applicable, and in accordance with rules and regulations of the Land Bank Commissioner. As soon as the organization of the association has been approved by the Land Bank Commissioner, the stock in the Federal land bank held by each of the members of such association shall be canceled at par, and in lieu thereof the bank shall issue in the name of the association an equal amount of stock in said bank, which stock shall be held by said bank as collateral security as provided in this section with respect to other loans through national farm loan associations. Thereupon there shall be issued to each such member an amount of capital stock in the association equal to the amount which he previously held in said bank, which stock shall be held by said association as collateral security as provided in section 733 of this chapter. The board of directors of said association shall adopt a resolution authorizing and directing its secretary-treasurer on behalf of said association to endorse, and thereby become liable for the payment of, the mortgages taken from its charter members by the Federal land bank. When it shall appear to the satisfaction of the Land Bank Commissioner that all the foregoing conditions have been complied with, and upon the granting of the charter by the Land Bank Commissioner, the interest rate paid by each charter member of such association whose loan is in good standing shall, beginning with his next regular installment date, be reduced to the rate of interest paid by borrowers on new loans made through national farm loan associations in the same Federal land bank district at the time the said loan was made to such charter member. (July 17, 1916, c. 245, § 7, 39 Stat. 365;

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Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

- § 723 (e) **Charges to applicants and borrowers.**— § 7
Charges to be paid by applicants for direct loans from a Federal land bank shall not exceed amounts to be fixed by the Land Bank Commissioner and shall in no case exceed the charges which may be made to applicants for loans and borrowers through national farm loan associations under the provisions of sections 11 and 13 of this chapter. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)
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- § 723 (f) **Option to make loan in bonds.**—Direct loans § 7
made under subsections (a) to (e) hereof, may, at the option of the Federal land bank, be made in bonds of the Federal Farm Mortgage Corporation. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; Jan. 31, 1934, c. 7, § 6, 48 Stat. 344.)
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CAPITAL STOCK OF NATIONAL FARM LOAN ASSOCIATIONS

- § 731 **Par value of shares.**—The shares in national § 8
farm loan associations shall be of the par value of \$5 each. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)
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- § 732 **Voting privileges.**—Every shareholder shall be § 8
entitled to one vote on each share of stock held by him at all elections of directors and in deciding all questions at meetings of shareholders: *Provided*, That the maximum number of votes which may be cast by any one shareholder shall be twenty. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)
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- § 733 **Borrowers only to be members; application § 8
for membership; subscription to stock in association; stock held as collateral; retirement of stock.**—No persons but borrowers on farm land mortgages shall be members or shareholders of national farm loan associations. Any person desiring to borrow on farm land mortgage through a national farm loan association shall make applica-

tion for membership and shall subscribe for shares of stock in such farm loan association to an amount equal to 5 per centum of the face of the desired loan, said subscription to be paid in cash upon the granting of the loan. If the application for membership is accepted and the loan is granted, the applicant shall, upon full payment therefor, become the owner of one share of capital stock in said loan association for each \$100 of the face of his loan, or any major fractional part thereof. Said capital stock shall be paid off at par and retired upon full payment of said loan. Said capital stock shall be held by said association as collateral security for the payment of said loan, but said borrower shall be paid any dividends accruing and payable on said capital stock while it is outstanding. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)

§ 734 Increase of stock.—Every national farm loan association formed under this chapter shall by its articles of association provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members and providing for the issue of shares to borrowers in accordance with the provisions of this chapter. Such increases shall be included in the quarterly reports to the Farm Credit Administration. (July 17, 1916, c. 245, § 8, 39 Stat. 367; Mar. 27, 1933, Ex. Or. 6084.) § 8

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

NATIONAL FARM LOAN ASSOCIATIONS; SPECIAL PROVISIONS

§ 7 Right of members to loans.—Any person whose application for membership is accepted by a national farm loan association shall be entitled to borrow money on farm land mortgage upon filing his application in accordance with section 733, and otherwise complying with the terms of this chapter whenever the Federal land bank of the district has funds available for that purpose, unless said land bank or the Farm Credit Administration shall, in its discretion, otherwise determine. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Mar. 27, 1933, Ex. Or. 6084.) § 9

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 742 **Payment for stock from proceeds of member's mortgage loan.**—Any person desiring to secure a loan through a national farm loan association under the provisions of this chapter may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the national farm loan association, such sum to be made a part of the face of the loan and paid off in amortization payments: *Provided, however,* That such addition to the loan shall not be permitted to increase said loan above the limitation imposed in subsection 5 of section 771. (July 17, 1916, c. 245, § 9, 39 Stat. 368.) § 9

§ 743 **Commissions on interest payments; deduction from dividends; loans by land banks to associations; rate of interest.**—Subject to rules and regulations prescribed by the Farm Credit Administration, any national farm loan association shall be entitled to retain as a commission from each interest payment on any loan indorsed by it an amount to be determined by said administration not to exceed one eighth of 1 per centum semiannually upon the unpaid principal of said loan, any amounts so retained as commissions to be deducted from dividends payable to such farm loan association by the Federal land bank, and to make application to the land bank of the district for loans not exceeding in the aggregate one fourth of its total stock holdings in said land bank. The Federal land banks shall have power to make such loans to associations applying therefor and to charge interest at a rate not exceeding 6 per centum per annum. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Mar. 27, 1933, Ex. Or. 6084.) § 9

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 744 **Individual liability of shareholders.**—Shareholders of every national farm loan association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (July 17, 1916, c. 245, § 9, 39 Stat. 368.) § 9

See § 744a of this chapter for provisions modifying this section.

§ 744a **Individual liability of shareholders.**—Notwithstanding the provisions of section 744, the shareholders of national farm loan associations shall not be held individually responsible for any contract, debt, or engagement of such association entered into after June 16, 1933, but this section shall not be construed to relieve any other liability with respect to stock held by such shareholders. (July 17, 1916, c. 245, § 9, 39 Stat. 368; June 16, 1933, c. 98, § 72, 48 Stat. 271.) § 9

§ 745 **New members.**—After a charter has been granted to a national farm loan association, any natural person who is the owner, or about to become the owner, of farm land qualified under section 771 of this chapter as the basis of a mortgage loan, and who desires to borrow on a mortgage of such farm land, may become a member of the association by a two-thirds vote of the directors upon subscribing for one share of the capital stock of such association for each \$100 of the face of his proposed loan or any major fractional part thereof. He shall at the same time file with the secretary-treasurer his application for a mortgage loan, giving the particulars required by section 771 of this chapter. (July 17, 1916, c. 245, § 9, 39 Stat. 368.) § 9

APPRAISAL FOR FARM LOANS

§ 751 **Investigation by loan committee of association; character and solvency of applicant; sufficiency of security offered; report.**—Whenever an application for a mortgage loan is made through a national farm loan association, the loan committee provided for in section 712 of this chapter, shall forthwith make, or cause to be made, such investigation as it may deem necessary as to the character and solvency of the applicant, and the sufficiency of the security offered, and cause written report to be made of the result of such investigation, and shall, if it concurs in such report, approve the same in writing. No loan shall be made unless the report is favorable, and the loan committee is unanimous in its approval thereof. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Apr. 20, 1920, c. 154, § 2, 41 Stat. 570.) § 10

§ 752 **Submission to land bank of loan application and report of association's committee; consideration of association's appraisal by bank.**—The written report required in section 751 shall be submitted § 10

to the Federal land bank, together with the application for the loan, and the directors of said land bank shall examine said written report when they pass on the loan application which it accompanies, but they shall not be bound by said appraisal. (July 17, 1916, c. 245, § 10; 39 Stat. 369.)

- § 753 **Requirement for appraisal of land offered as security before making land bank loan.**—Before any mortgage loan is made by any Federal land bank, or joint stock land bank, it shall refer the application and written report of the loan committee to one or more of the land bank appraisers appointed under the authority of section 656 of this chapter, and such appraiser or appraisers shall investigate and make a written report upon the land offered as security for said loan. No such loan shall be made by said land bank unless said written report is favorable. (July 17, 1916, c. 245, § 10, 39 Stat. 369.) § 10

Joint stock land banks prohibited from making farm loans after May 12, 1933, except such as are necessary and incidental to refinancing existing loans and to sale of acquired real estate. See § 810 of this chapter.

- § 754 **Forms for reports.**—Forms for appraisal reports for farm loan associations and land banks shall be prescribed by the Farm Credit Administration (July 17, 1916, c. 245, § 10, 39 Stat. 369; Mar. 27, 1933, Ex. Or. 6084.) § 10

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 755 **Examinations by land bank appraisers as to farm loan bonds and first mortgages.**—Land bank appraisers shall make such examinations and appraisals and conduct such investigations, concerning farm loan bonds and first mortgage, as the Farm Credit Administration shall direct. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Mar. 27, 1933, Ex. Or. 6084.) § 10

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 756 **Borrower ineligible as land bank appraiser; association director or committeeman disqualified by interest in loan.**—No borrower under this subchapter shall be eligible as an appraiser under this subchapter but borrowers may act as members of a loan committee in any case where they are not personally interested in the loan under consideration. When any member of a loan committee or of a board of directors is interested, directly or indi- § 10

rectly, in a loan, a majority of the board of directors of any national farm loan association shall appoint a substitute to act in his place in passing upon such loan. (July 17, 1916, c. 245, § 10, 39 Stat. 369.)

POWERS OF NATIONAL FARM LOAN ASSOCIATIONS

§ 761 **Enumerated powers.**—Every national farm loan association shall have power: § 11

First. *Indorsing mortgages.*—To indorse, and thereby become liable for the payment of mortgages taken from its shareholders by the Federal land bank of its district. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Second. *Receiving advances from banks and loaning to shareholders.*—To receive from the Federal land bank of its district funds advanced by said land bank, and to deliver said funds to its shareholders on receipt of first mortgages qualified under section 771 of this chapter. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Third. *Fixing charges for applications for loans.*—To fix reasonable initial charges to be made against applicants for loans and to borrowers in order to meet the necessary expenses of the association: *Provided*, That such charges shall not exceed amounts to be fixed by the Farm Credit Administration, and shall in no case exceed 1 per centum of the amount of the loan applied for; to acquire and dispose of property, real and personal, that may be necessary or convenient for the transaction of its business. (July 17, 1916, c. 245, § 11, 39 Stat. 369; Apr. 20, 1920, c. 154, § 3, 41 Stat. 570; Mar. 27, 1933, Ex. Or. 6084.)

Fourth. *Issuing interest-bearing certificates against deposits of current funds.*—To issue certificates against deposits of current funds bearing interest for not longer than one year at not to exceed 4 per centum per annum after six days from date, convertible into farm loan bonds when presented at the Federal land bank of the district in the amount of \$25 or any multiple thereof. Such deposits, when received, shall be forthwith transmitted to said land bank, and be invested by it in the purchase of farm loan bonds issued by a Federal land bank or in first mortgages as defined by this subchapter. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

National farm loan associations authorized to make their services and facilities available to Land Bank Commissioner to aid in administering Subchapter II of this chapter. See § 1018 of this chapter.

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

**RESTRICTION ON LOANS OF FEDERAL LAND
BANKS BASED ON FIRST MORTGAGES**

§ 771 **Restrictions enumerated.**—No Federal land bank organized under this chapter shall make loans except upon the following terms and conditions: § 12

First. *Security by first mortgage.*—Said loans shall be secured by duly recorded first mortgages on farm land within the land bank district in which the bank is situated. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Second. *Agreement for repayment on amortization plan.*—Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover, first, a charge on the loan at a rate not exceeding the interest rate in the last series of farm loan bonds issued by the land bank making the loan; second, a charge for administration and profits at a rate not exceeding, except with the approval of the Governor of the Farm Credit Administration, 1 per centum per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will extinguish the debt within an agreed period, not less than five years nor more than forty years: *Provided*, That after five years from the date upon which a loan is made the mortgagor may, upon any regular installment date, make in advance any number of payments or any portion thereof on account of the principal of his loan as provided by his contract or pay the entire principal of such loan, under the rules and regulations of the Farm Credit Administration: *And provided further*, That before the first issues of farm loan bonds by any land bank the interest rate on mortgages may be determined in the discretion of said land bank, subject to the provisions and limitations of this subchapter. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154 § 4, 41 Stat. 570; June 16, 1933, c. 98 § 73, 48 Stat. 272; Mar. 27, 1933, Ex. Or. 6084.)

Third. *Maximum interest rate.*—No loan on mortgage shall be made under this subchapter at a rate of interest exceeding 6 per centum per annum, exclusive of amortization payments. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Fourth. *Purposes of loans.*—Such loans may be made for the following purposes and for no other;

§ 771 (a) To provide for the purchase of land for agricultural uses. § 12

(b) To provide for the purchase of equipment, fertilizers, and livestock necessary for the proper and reasonable operation of the mortgaged farm; the term "equipment" to be defined by the Farm Credit Administration.

(c) To provide buildings and for the improvement of farm lands; the term "improvement" to be defined by the Farm Credit Administration.

(d) To liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred prior to January 1, 1933.

(e) To provide the owner of the land mortgaged with funds for general agricultural uses. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154, § 4, 41 Stat. 570; Mar. 4, 1923, c. 252, § 306, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 2, 47 Stat. 1547; Mar. 27, 1933, Ex. Or. 6084.)

Fifth. Limitation on amount of loans; appraisal; reappraisal.—No such loan shall exceed 50 per centum of the value of the land mortgaged and 20 per centum of the value of the permanent, insured improvements thereon, said value to be ascertained by appraisal, as provided in sections 751–756 of this chapter. In making said appraisal the value of the land for agricultural purposes shall be the basis of appraisal and the earning power of said land shall be a principal factor.

That in making loans to owners of groves and orchards, including citrus fruit groves and other fruit groves and orchards, the Federal land banks, the farm land banks, and all Government agencies making loans upon such character of property may, in appraising the property offered as security, give a reasonable and fair valuation to the fruit trees located and growing upon said property and constituting a substantial part of its value.

A reappraisal may be permitted at any time in the discretion of the Federal land bank, and such additional loan may be granted as such reappraisal will warrant under the provisions of this paragraph. Whenever the amount of the loan applied for exceeds the amount that may be loaned under the appraisal as herein limited, such loan may be granted to the amount permitted under the terms of this paragraph without requiring a new application or appraisal. (July 17, 1916, c. 245, § 12, 39 Stat. 370; May 12, 1933, c. 25, § 41, 48 Stat. 51.)

Sixth. Restrictions on eligibility for loans; Assumption of mortgage and stock interests by purchaser of land or heir.—No such loan shall be made to any

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person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option within sixty days of such death, to assume the mortgage and stock interests of the deceased. (July 17, 1916, c. 245, § 12, 39 Stat. 370; June 16, 1933, c. 98, § 74, 48 Stat. 271.)

Seventh. *Maximum and minimum of loans.*—The amount of loans to any one borrower shall in no case exceed a maximum of \$50,000, but loans to any one borrower shall not exceed \$25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 4, 1923, c. 252, § 307, 42 Stat. 1476; May 12, 1933, c. 25, § 25, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

Eighth. *Form of applications for loans.*—Every applicant for a loan under the terms of this subchapter shall make application on a form to be prescribed for that purpose by the Farm Credit Administration and such applicant shall state the objects to which the proceeds of said loan are to be applied, and shall afford such other information as may be required. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084.)

Ninth. *Interest on defaulted payments; payment of taxes and liens; insurance.*—Every borrower shall pay simple interest on defaulted payments at the rate of 8 per centum per annum, and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear simple interest at the rate of 8 per centum per annum. Every borrower shall undertake to keep insured to the satisfaction of the Farm Credit Administration all buildings the value of which was a factor in determining the amount of the loan. Insurance shall be made payable to the mortgagee as its interest may appear at time of loss, and at the option of the mortgagor and subject to general regulations of the Farm Credit Administration,

§ 771 sums so received may be used to pay for reconstruction of the buildings destroyed. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084.) § 12

Tenth. *Agreement by borrowers as to use of loans.*—Every borrower who shall be granted a loan under the provisions of this subchapter shall enter into an agreement, in form and under conditions to be prescribed by the Farm Credit Administration, that if the whole or any portion of his loan shall be expended for purposes other than those specified in his original application, or if the borrower shall be in default in respect to any condition or covenant of the mortgage, the whole of said loan shall, at the option of the mortgagee, become due and payable forthwith: *Provided*, That the borrower may use part of said loan to pay for his stock in the farm loan association, and the land bank holding such mortgage may permit said loan to be used for any purpose specified in subsection fourth of this section. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084.)

Eleventh. *Loans not invalidated by unauthorized acts by banks or associations.*—No loan or the mortgage securing the same shall be impaired or invalidated by reason of the exercise of any power by any Federal land bank or national farm loan association in excess of the powers herein granted or any limitations thereon. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Twelfth. *Reduction of interest on loans and deferment of principal.*—Notwithstanding the provisions of paragraph "Second" of this section, the rate of interest on any loans on mortgage made through national farm loan associations or through agents as provided in sections 801–808 of this chapter, or purchased from joint stock land banks, by any Federal land bank, outstanding on the date this paragraph takes effect [May 12, 1933] or made through national farm loan associations within two years after such date, shall not exceed 4½ per centum per annum for all interest payable on installment dates occurring within a period of five years commencing sixty days after the date [May 12, 1933] this paragraph takes effect; and no payment of the principal portion of any installment of any such loan shall be required during such five-year period if the borrower shall not be in default with respect to any other condition or covenant of his mortgage. The foregoing provisions shall apply to loans made by Federal land banks through branches, except that the rate of

interest on such loans for such five-year period shall be 5 per centum in lieu of $4\frac{1}{2}$ per centum. The Secretary of the Treasury shall pay each Federal land bank, as soon as practicable after October 1, 1933, and after the end of each quarter thereafter, such amounts as the Land Bank Commissioner certifies to the Secretary of the Treasury is equal to the amount by which interest payments on mortgages held by such bank have been reduced, during the preceding quarter, by reason of this paragraph; but in any case in which the Land Bank Commissioner finds that the amount of interest payable by such bank during any quarter has been reduced by reason of the refinancing of bonds under section 991 of this chapter, the amount of the reduction so found shall be deducted from the amount payable to such bank under this paragraph. No payments shall be made to a bank with respect to any period after June 30, 1938. There is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$15,000,000 for the purpose of enabling the Secretary of the Treasury to make payments to Federal land banks which accrue during the fiscal year ending June 30, 1934, and such additional amounts as may be necessary to make payments accruing during subsequent fiscal years. (July 17, 1916, c. 245, § 12, 39 Stat. 370; May 12, 1933, c. 25, § 24, 48 Stat. 43; June 16, 1933, c. 98, § 80 (a), 48 Stat. § 273.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For Government subscription to paid-in surplus of bank, in amounts equal to principal payments deferred, see § 781 (tenth) of this chapter.

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Loans to be current funds, bonds of corporation, or farm loan bonds.—Amounts transmitted to farm loan associations by Federal land banks to be loaned to its members shall, at the option of the bank, be in current funds or Federal Farm Mortgage Corporation bonds, or, at the option of the borrower, in farm loan bonds. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Jan. 31, 1934, c. 7, § 7, 48 Stat. 344.)

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Mortgages on farm lands under United States reclamation projects.—The term “first mortgage,” as used in section 771 of this chapter, shall be construed to include mortgages on farm lands under United States reclamation projects, notwithstanding there may be against such lands a reserved or created lien in favor of the United States for construction or other charges as provided in sections 372, 381, 383, 391, 392, 411, 416, 419, 421, 431, 432,

434, 439, 461, 476, 491, 498 of Title 43, Public Lands, and acts amendatory thereof and supplementary thereto, known as the reclamation law: *Provided*, That such lands are otherwise eligible for loans under this chapter: *And provided further*, That the amount and date of maturity of such lien shall be given due consideration in fixing the value of such lands for loan purposes. (May 15, 1922, c. 190, § 3, 42 Stat. 542.)

POWERS OF FEDERAL LAND BANKS GENERALLY

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Enumerated powers.—Every Federal land bank shall have power, subject to the limitations and requirements of this subchapter—

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First. Issuing and selling farm loan bonds.—To issue, subject to the approval of the Farm Credit Administration, and to sell farm loan bonds of the kinds authorized in this subchapter, to buy the same for its own account, and to retire the same at or before maturity. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 27, 1933, Ex. Or. 6084.)

Federal land banks authorized to make their services and facilities available to Land Bank Commissioner to aid in administering Subchapter II of this chapter. See § 1018 of this chapter.

Second. Investing funds in first farm mortgages.—To invest such funds as may be in its possession in the purchase of qualified first mortgages on farm lands situated within the Federal land bank district within which it is organized or for which it is acting. In order to reduce and/or refinance farm mortgages, to invest such funds as may be in its possession in the purchase of first mortgages on farm lands situated within the Federal land bank district within which it is organized or for which it is acting, or to exchange farm loan bonds for any duly recorded first mortgages on farm lands executed prior to May 12, 1933, at a price which shall not exceed in each individual case the amount of the unpaid principal of the mortgage on the date of such purchase or exchange, or 50 per centum of the normal value of the land mortgaged and 20 per centum of the value of the permanent insured improvements thereon as determined upon an appraisal made pursuant to this subchapter, whichever is the smaller: *Provided*, That any mortgagor whose mortgage is acquired by a Federal land bank under this paragraph shall be entitled to have his farm mortgage indebtedness refinanced in accordance with the provisions of sections 711–723 and 731–734 of this chapter, on the basis of the amount paid by the bank for his mortgage. (July 17, 1916, c. 245, § 13, 39 Stat. 372; May 12, 1933, c. 25, § 22, 48 Stat. 42.)

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Third. *Receipt and deposit of mortgages as collateral for bonds; collection of moneys payable under mortgages and bonds.*—To receive and to deposit in trust with the farm loan registrar for the district, to be by him held as collateral security for farm loan bonds, first mortgages upon farm land qualified under section 771 of this chapter, and to empower national farm loan associations, or duly authorized agents, to collect and immediately pay over to said land banks the dues, interest, amortization installments, and other sums payable under the terms, conditions, and covenants of the mortgages and of the bonds secured thereby. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Fourth. *Acquiring and disposing of property.*—To acquire and dispose of—

(a) Such property, real or personal, as may be necessary or convenient for the transaction of its business, which, however, may be in part leased to others for revenue purposes.

(b) Parcels of land acquired in satisfaction of debts or purchased at sales under judgments, decrees, or mortgages held by it. But no such bank shall hold title and possession of any real estate purchased or acquired to secure any debt due to it, for a longer period than 5 years, except with the special approval of the Farm Credit Administration in writing. Every such bank may carry real estate as an asset, for a period of not exceeding 5 years, at its normal value but not to exceed the amount of the bank's investment therein at the time of acquirement of such real estate. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 3, 47 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

Fifth. *Depositing securities and funds with reserve banks.*—To deposit its securities and its current funds subject to check, with any member bank of the Federal Reserve System, and to receive interest on the same as may be agreed. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Sixth. *Receiving deposits from associations.*—To accept deposits of securities or of current funds from national farm loan associations holding its shares, but to pay no interest on such deposits. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Seventh. *Borrowing money.*—To borrow money, to give security therefor, and to pay interest thereon. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Eighth. *Buying and selling United States bonds.*—To buy and sell United States bonds. (July 17, 1916, c. 45, § 13, 39 Stat. 372.)

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Ninth. *Charging fees for loans.*—To charge applicants for loans and borrowers, under rules and regulations promulgated by the Farm Credit Administration, reasonable fees not exceeding the actual cost of appraisal and determination of title. Legal fees and recording charges imposed by law in the State where the land to be mortgaged is located may also be included in the preliminary costs of negotiating mortgage loans. The borrower may pay such fees and charges or he may arrange with the Federal land bank making the loan to advance the same, in which case said expenses shall be made a part of the face of the loan and paid off in amortization payments. Such addition to the loan shall not be permitted to increase said loan above the limitations provided in section 771 of this chapter. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 27, 1933, Ex. Or. 6084.)

Tenth. *Extension of obligations unpaid under terms of mortgages.*—When in the judgment of the directors conditions justify it, to extend, in whole or in part, any obligation that may be or become unpaid under the terms of any mortgage, and to accept payment of any such obligation during a period of five years or less from the date of such extension in such amounts as may be agreed upon at the date of making such extension. The sum of \$25,000,000 of the amount authorized to be appropriated under section 698 of this chapter shall be used exclusively for the purpose of supplying any bank with funds to use in its operations in place of any amounts of which such bank may be deprived by reason of extensions made as provided in this paragraph. The terms of any such extension shall be such as will not defer the collection of any obligation due by any borrower which, after investigation by the bank of the situation of such borrower, is shown to be within his capacity to meet. In the case of any such extension made prior to the expiration of five years from the date [May 12, 1933] this paragraph as amended takes effect, or in the case of any deferment of principal as provided in paragraph "twelfth" of section 771 of this chapter, it shall be the duty of the Secretary of the Treasury, on behalf of the United States, upon the request of the Federal land bank making the extension, and with the approval of the Land Bank Commissioner, to subscribe at such periods as the Commissioner shall determine, to the paid-in surplus of such bank an amount equal to the amount of all such extensions and deferments made by the bank during the preceding period. Such subscriptions shall be sub-

§ 781 ject to call, in whole or in part, by the bank with § 13
the approval of the Commissioner upon thirty
days' notice. To enable the Secretary of the
Treasury to make such subscriptions to the paid-
in surplus of the Federal land banks, there is
hereby authorized to be appropriated the sum of
\$50,000,000, to be immediately available and re-
main available until expended. Upon payment
to any Federal land bank of the amount of any
such subscription, such bank shall execute and
deliver a receipt therefor to the Secretary of the
Treasury in form to be prescribed by the Land Bank
Commissioner. The amount of any subscriptions
to the paid-in surplus of any such bank may be
repaid in whole or in part at any time in the discre-
tion of the bank and with the approval of the Land
Bank Commissioner, and the Commissioner may
at any time require such subscriptions to be repaid
in whole or in part if in his opinion the bank has
resources available therefor. (July 17, 1916,
c. 245, § 13, 39 Stat. 372; Jan. 23, 1932, c. 9,
§ 5, 47 Stat. 14; May 12, 1933, c. 25, § 23, 48 Stat.
43; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

For interest rate on extended payments, see paragraph "twelfth" of this section.

Eleventh. Postponement of payment of installments of loans.—At any time within five years after the date [March 4, 1933] this paragraph takes effect, any borrower who has obtained a loan from a Federal land bank may on application to such Federal land bank and upon approval of such application by the directors of the bank postpone the payment of any unpaid installment or installments in the manner herein provided in this section. Such postponed payment shall be made by paying at the time each succeeding annual installment is due, one tenth of the amount of the postponed payment, and, in the case of semiannual installments, by paying at the time each succeeding semiannual installment is due, one twentieth of the postponed payment, until the amount of such postponed payment has been paid. In any case in which the number of remaining installments due on the mortgage is less than ten, in the case of annual installments, or less than twenty, in the case of semiannual installments, the amount of the postponed payment shall be distributed proportionately over the remaining number of installment payments. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat. 1548.)

Twelfth. Interest rate; on extended payments; on taxes, liens, etc., paid by mortgagee.—For the period of five years after the date [March 4, 1933] this para-

§ 781 graph takes effect, every borrower shall pay simple interest on extended payments at the same rate of interest as stipulated in the mortgage securing the loan as to payments not in default and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear interest at the rate provided in the mortgage. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat. 1548.) § 13

Thirteenth. *Reamortization of mortgages.*—When in the judgment of the directors conditions justify it, and with the approval of the Farm Credit Administration, to reamortize, in whole or in part, the aggregate amount remaining unpaid under the terms of any mortgage, and to accept payment of such aggregate amount on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover the interest payable on the mortgage, and in addition thereto such amounts to be applied upon the principal as will extinguish the debt within an agreed period of not more than forty years from the date of the reamortization; to deposit such mortgages with the farm loan registrar as collateral security for farm loan bonds at an amount not exceeding the principal of the original loan remaining unpaid at the date of such amortization; and with the approval of the Farm Credit Administration to charge the borrower an amount not to exceed the actual cost incurred in connection with such reamortization. (July 17 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c 270, § 4, 47 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

Fourteenth. *Agreements to share gains and losses with associations.*—To enter into agreements with national farm loan associations of the district under the terms of which losses incurred and gains realized on account of the disposition of lands covered by a defaulted mortgage indorsed by such association will be shared equally by the bank and the association. (July 17, 1916, c. 245, § 13, 39 Stat. 372; June 16, 1933, c. 98, § 79, 48 Stat. 272.)

Fifteenth. *Exchange for and purchase of farm mortgage corporation bonds.*—To exchange farm loan bonds for Federal Farm Mortgage Corporation bonds of equal face value, and to purchase Federal Farm Mortgage Corporation bonds at or below par. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Jan. 31, 1934, c. 7, § 8, 48 Stat. 344.)

Sixteenth. *Exchange of farm mortgage corporation bonds for farm loan bonds.*—To exchange Federal Farm Mortgage Corporation bonds for farm loan bonds of equal face value. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Jan. 31, 1934, c. 7, § 8, 48 Stat. 344.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

RESTRICTIONS ON FEDERAL LAND BANKS

§ 791

Enumeration of restrictions.—No Federal land bank shall have power—

§ 14

First. *Limiting deposits.*—To accept deposits of current funds payable upon demand except from its own stockholders, or to transact any banking or other business not expressly authorized by the provisions of this subchapter. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Second. *Loaning on first mortgages except through associations.*—To loan on first mortgage except through national farm loan associations as provided in sections 711–722 and sections 731–734 of this chapter (secs. 7 and 8 of the Federal Farm Loan Act, as amended), or through agents as provided in sections 801–808 of this chapter, or direct to borrowers as provided in section 723. (July 17, 1916, c. 245, § 14, 39 Stat. 372; Mar. 4, 1933, c. 270, § 5 (a), 47 Stat. 1549.)

Third. *Accepting other than first mortgages.*—To accept any mortgages on real estate except first mortgages created subject to all limitations imposed by sections 771–773 of this chapter, and those taken as additional security for existing loans. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Fourth. *Issuing excess of bonds; receiving excess of mortgages from associations.*—To issue or obligate itself for outstanding farm loan bonds, including consolidated bonds issued on its behalf in excess of twenty times the amount of its capital and surplus, or to receive from any national farm loan association additional mortgages when the principal remaining unpaid upon mortgages already received from such association shall exceed twenty times the amount of its capital stock owned by such association. (July 17, 1916, c. 245, § 14, 39 Stat. 372; June 16, 1933, c. 98, § 75 (a), 48 Stat. 272.)

Fifth. *Demanding unauthorized commissions.*—To demand or receive, under any form or pretense, any commission or charge not specifically authorized in this subchapter. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Sixth. Accepting mortgages on personal property exempt from execution.—To accept as additional security for any loan to any borrower under this subchapter, or any installment on any such loan, any personal property which is exempt from execution upon judgment under the laws of the State in which the land with respect to which the mortgage is given is situated. (July 17, 1916, c. 245, § 14, 39 Stat. 372; Mar. 4, 1933, c. 270, § 5 (b), 47 Stat. 1549; June 16, 1933, c. 98, § 71, 48 Stat. 271).

LOANS BY FEDERAL LAND BANKS THROUGH AGENTS

§ 801 **Loans when authorized.**—Whenever it shall appear to the Farm Credit Administration that national farm loan associations have not been formed, and are not likely to be formed, in any locality, because of peculiar local conditions, said administration may, in its discretion, authorize Federal land banks to make loans on farm lands through agents approved by said administration. (July 17, 1916, c. 245, § 15, 39 Stat. 373; Mar. 27, 1933, Ex. Or. 6084.) § 15

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 802 **Manner of making.**—Loans authorized by section 801 of this chapter shall be subject to the same conditions and restrictions as if the same were made through national farm loan associations, and each borrower shall contribute 5 per centum of the amount of his loan to the capital of the Federal land bank, and shall become the owner of as much capital stock of the land bank as such contribution shall warrant. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15

§ 803 **Who may be employed as agent.**—No agent other than a duly incorporated bank, trust company, mortgage company, or savings institution, chartered by the State in which it has its principal office, shall be employed under the provisions of sections 801–808 hereof. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) §15

§ 804 **Expenses of and commissions to agents.**—Federal land banks may pay to such agents the actual expense of appraising the land offered as security for a loan, examining and certifying the § 15

title thereof, and making, executing, and recording the mortgage papers; and in addition may allow said agents not to exceed one half of 1 per centum per annum upon the unpaid principal of said loan, such commission to be deducted from dividends payable to the borrower on his stock in the Federal land bank. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

§ 805 **Expenses of agents added to loans.**—Actual expenses paid to agents under the provisions of sections 801–808 hereof shall be added to the face of the loan and paid off in amortization payments subject to the limitations provided in subsection ninth of section 781 of this chapter. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15

§ 806 **Collection of loan payments.**—Said agents, when required by the Federal land banks, shall collect and forward to such banks without charge all interest and amortization payments on loans indorsed by them. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15

§ 807 **Indorsement of loans; liability thereon.**—Any agent negotiating any such loan shall indorse the same and become liable for the payment thereof, and for any default by the mortgagor, on the same terms and under the same penalties as if the loan had been originally made by said agent as principal and sold by said agent to said land bank, but the aggregate of the unpaid principal of mortgage loans received from any such agent shall not exceed 10 times its capital and surplus. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15

§ 808 **When loans to cease.**—If at any time the district represented by any agent under the provisions of sections 801–808 of this chapter shall, in the judgment of the Farm Credit Administration, be adequately served by national farm loan associations, no further loans shall be negotiated therein by agents under said sections. (July 17, 1916, c. 245, § 15, 39 Stat. 373; Mar. 27, 1933, Ex. Or. 6084.) § 15

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

JOINT STOCK LAND BANKS

- § 810 **Restriction against making loans or issuing bonds after May 12, 1933.**—After May 12, 1933, no joint stock land bank shall issue any tax-exempt bonds or make any farm loans except such as are necessary and incidental to the refinancing of existing loans or bond issues or to the sale of any real estate now owned or hereafter acquired by such bank. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 12, 1933, c. 25, § 29, 48 Stat. 46.) § 16

For loans to joint stock land banks to provide for orderly liquidation and for emergency purposes, see § 823 (note) of this chapter.

- § 811 **Organization; directors.**—Corporations, to be known as joint stock land banks; for carrying on the business of lending on farm mortgage security and issuing farm loan bonds, may be formed by any number of natural persons not less than ten. They shall be organized subject to the requirements and under the conditions set forth in sections 671–683 of this chapter, so far as the same may be applicable: *Provided*, That the board of directors of every joint stock land bank shall consist of not less than five members. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

- § 812 **Individual liability of shareholders.**—Shareholders of every joint stock land bank organized under this chapter shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

- § 813 **Powers, duties, and liabilities; stock.**—Except as otherwise provided, joint stock land banks shall have the powers of, and be subject to all the restrictions and conditions imposed on, Federal land banks by this chapter, so far as such restrictions and conditions are applicable: *Provided, however*, That the Government of the United States shall not purchase or subscribe for any of the capital stock of any such bank; and each shareholder of § 16

any such bank shall have the same voting privileges as holders of shares in national banking associations. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 814 **Limitation on amount of issue of bonds; transacting unauthorized business.**—No joint stock land bank shall have power to issue or obligate itself for outstanding farm loan bonds in excess of fifteen times the amount of its capital and surplus, or to receive deposits or to transact any banking or other business not expressly authorized by the provisions of this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 815 **Minimum capital stock.**—No joint stock land bank shall be authorized to do business until capital stock to the amount of at least \$250,000 has been subscribed, one half thereof paid in cash and the balance subject to call by the board of directors, and a charter has been issued to it by the Farm Credit Administration. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.) § 16

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 816 **Issuing bonds before payment of stock.**—No joint stock land bank shall issue any bonds until after the capital stock is entirely paid up. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 817 **Form of bonds.**—Farm loan bonds issued by joint stock land banks shall be so engraved as to be readily distinguished in form and color from farm loan bonds issued by Federal land banks, and shall otherwise bear such distinguishing marks as the Farm Credit Administration shall direct. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.) § 16

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 818 **Interest rates; restrictions on mortgage loans.—** § 16

Joint stock land banks shall not be subject to the provisions of subsection (b) of section 831 of this chapter as to interest rates on mortgage loans or farm loan bonds, nor to the provisions of subsections first, fourth, sixth, seventh, and tenth of section 771 as to restrictions on mortgage loans: *Provided, however,* That no loans shall be made which are not secured by first mortgages on farm lands within the State in which such joint stock land bank has its principal office, or within some one State contiguous to such State, except as hereinafter provided. Such joint stock land banks shall be subject to all other restrictions on mortgage loans imposed on Federal land banks in section 771 of this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 4, 1931, c. 518, § 1, 46 Stat. 1458.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 819 **Limitation on interest rates.—**Joint stock land § 16
banks shall in no case charge a rate of interest on farm loans exceeding by more than 1 per centum the rate of interest established for the last series of farm loan bonds issued by them. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 820 **Unauthorized commissions or charges.—**Joint § 16
stock land banks shall in no case demand or receive, under any form or pretense, any commission or charge not specifically authorized in this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

§ 821 **Bonds; form and contents.—**Each joint stock § 16
land bank organized under this chapter shall have authority to issue bonds based upon mortgages taken by it in accordance with the terms of this chapter. Such bonds shall be in form prescribed by the Farm Credit Administration, and it shall be stated in such bonds that such bank is organized under section sixteen of the Federal Farm Loan Act [sections 811–823 of this chapter], is under Federal supervision, and operates under the provisions of said Act. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 822 **Voluntary liquidation.**—Any joint stock land bank organized and doing business under the provisions of this chapter may go into voluntary liquidation by making provision, to be approved by the Farm Credit Administration, for the payment of its liabilities: *Provided*, That such method of liquidation shall have been duly authorized by a vote of at least two-thirds of the shareholders of such joint stock land bank at a regular meeting, or at a special meeting called for that purpose, of which at least ten days' notice in writing shall have been given to stockholders. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691; Mar. 27, 1933, Ex. Or. 6084.) § 16

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.
See also § 823 (note), and § 965.

§ 823 **Assets of liquidating bank; purchase by Federal or joint stock land bank; assumption of liabilities.**—For the purpose of assisting in any such liquidation authorized as in section 822 of this chapter provided, any Federal land bank or joint stock land bank may, with the approval of the Farm Credit Administration, acquire the assets and assume the liabilities of any joint stock land bank, and in such transaction any Federal land bank may waive the provisions of this chapter requiring such bank to acquire its loans only through national farm loan associations or agents, and those relating to status of borrower, purposes of loan, and also the limitation as to the amount of individual loans. No Federal land bank shall assume the obligations of any joint stock land bank in such manner as to make its outstanding obligations more than twenty times its capital stock except by creation of a special reserve equal to one twentieth of the amount of such additional obligations assumed. No joint stock land bank shall assume the obligations of any other joint stock land bank in such manner as to make its outstanding obligations more than fifteen times the amount of its capital and surplus except by creation of a special reserve equal to one fifteenth of the amount of such additional obligations assumed. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691; Mar. 4, 1925, c. 524, § 5, 43 Stat. 1263; Mar. 27, 1933, Ex. Or. 6084.) § 16

HISTORICAL NOTE

Joint stock land banks are now prohibited from making loans or issuing tax-exempt bonds, except in circumstances permitted under § 810 of this chapter. This prohibition constituted Section 29 of Part 2 of "The Emergency Farm Mortgage Act of 1933." The remaining sections of Part 2 which are quoted in this note made provision for loans to be made to joint stock land banks during a limited period of time, to aid in the orderly liquidation of these corporations and to enable them to grant certain emergency relief to their borrowers. The citation for these sections is May 12, 1933, c. 25, §§ 30, 31, 48 Stat. 46, 47, as amended by the Act of June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.

LOANS TO JOINT STOCK LAND BANKS TO PROVIDE FOR ORDERLY LIQUIDATION

SEC. 30. (a) The Reconstruction Finance Corporation is authorized and directed to make available to the Land Bank Commissioner, out of the funds of the Corporation, the sum of \$100,000,000, to be used, for a period not exceeding two years from the date of enactment of this Act, for the purpose of making loans to the joint stock land banks organized and doing business under the Federal Farm Loan Act, as amended, at a rate of interest not to exceed 4 per centum per annum, payable annually. Such loans shall be made upon application therefor by such banks and upon compliance with the requirements of this section. The amount which may be loaned hereunder to any such bank shall not exceed an amount having the same proportion to the said \$100,000,000, as the unpaid principal of the mortgages held by such bank on the date of enactment of this Act bears to the total amount of the unpaid principal of the mortgages held by all the joint stock land banks on such date.

(b) Any joint stock land bank applying for a loan under this section shall deliver to the Land Bank Commissioner as collateral security therefor first mortgages or purchase-money mortgages on farm lands, first mortgages on farm real estate owned by the bank in fee simple, or such other collateral as may be available to said bank, including sales contracts and sheriff's certificates on farm lands. The real estate upon which such collateral is based shall be appraised by appraisers appointed under the Federal Farm Loan Act, as amended, and the borrowing bank shall be entitled to borrow not to exceed 60 per centum of the normal value of such real estate as determined by such appraisal. Fees for such appraisals shall be paid by the applicant banks in such amounts as may be fixed by the Land Bank Commissioner. No such loan shall be made until the applicant bank, under regulations to be prescribed by the Land Bank Commissioner, (1) shall have agreed to grant to each borrower then indebted to the bank under the terms of a first mortgage a reduction to 5 per centum per annum in the rate of interest specified in such mortgage, beginning at his next regular installment date occurring more than sixty days after the date of enactment of this Act, and (2) shall have agreed to the satisfaction of the Commissioner that during a period of two years from the date of enactment of this Act the bank will not proceed against the mortgagor on account of default in the payment of interest or principal due under the terms of its mortgage and will not foreclose its mortgage unless the property covered by such mortgage is abandoned by the mortgagor or unless, in the opinion of the Commis-

sioner, such foreclosure is necessary for other reasons. Such loans shall be made to aid the orderly liquidation of any such bank in accordance with such plan as may be approved by the Land Bank Commissioner. Before any such plan is approved by the Commissioner he shall be satisfied that the plan carries out the purposes of this section and that such part of the proceeds of the loan as is devoted to settlements with bondholders will be used only to effect an equitable settlement with all bondholders. After the plan has been approved by the Commissioner he shall require the bank to mail a copy thereof to all its known bondholders and to publish a notice setting forth its provisions in at least three newspapers having general circulation.

LOANS BY THE LAND BANK COMMISSIONER TO JOINT STOCK
LAND BANKS FOR EMERGENCY PURPOSES

SEC. 31. (a) Out of the funds made available to him under section 30, the Land Bank Commissioner is authorized to make loans, in an aggregate amount not exceeding \$25,000,000, at a rate of interest not to exceed 4 per centum per annum, to any joint stock land bank for the purpose of securing the postponement for two years from the date of the enactment of this Act of the foreclosure of first mortgages held by such banks on account of (1) default in the payment of interest and principal due under the terms of the mortgage, and (2) unpaid delinquent taxes, excluding interest and penalties, which may be secured by the lien of said mortgage: *Provided*, That during the period of postponement of foreclosure such banks shall charge the mortgagor interest at a rate not exceeding 4 per centum per annum on the aggregate amount of such delinquent taxes and defaulted interest and principal with respect to which loans are made pursuant to this section. The amount loaned to any joint stock land bank under this section shall be made without reappraisal: *Provided*, That the amount loaned with respect to any mortgage on account of unpaid principal shall not exceed 5 per centum of the total unpaid principal of such mortgage, and the total amount loaned to any such land bank with respect to any mortgage shall not exceed 25 per centum of the total unpaid principal of such mortgage.

(b) No such loan shall be made with respect to any mortgage unless the Land Bank Commissioner is satisfied that the mortgagor, after exercising ordinary diligence to pay his accrued delinquent taxes, and meet accrued interest and principal payments, has defaulted thereon; and unless the bank shall have agreed to the satisfaction of the Land Bank Commissioner that during such two-year period the bank will not foreclose such mortgage unless the property covered thereby is abandoned by the mortgagor or unless in the opinion of the Land Bank Commissioner such foreclosure is necessary for other reasons.

(c) Each such loan shall be secured by an assignment to the Land Bank Commissioner of the lien of the taxes and/or of the bank's mortgage with respect to which the loan is made: *Provided*, That the part of each such lien so assigned representing the interest and principal due and unpaid in any such mortgage which has been assigned to the farm loan registrar shall be subordinate to the existing lien of the bank for the balance of the indebtedness then or thereafter to become due under the terms of such mortgage; but the Land Bank Commissioner may require the bank to furnish additional collateral as security for such loan, if such collateral is available to the bank.

(d) The Land Bank Commissioner is authorized to make such rules and regulations as may be necessary to carry out the purposes of this section and to make the relief contemplated immediately available.

"Farm Credit Administration" mentioned above was substituted for "Federal Farm Loan Board" pursuant to the Executive order cited thereto, which is set out in full at the beginning of this chapter.

§ 824

Insolvency; receivership; acquisition of assets by other banks; loans by acquiring bank in additional States.—In any case where a joint stock land bank has been, or may be, declared insolvent and placed in the hands of a receiver by the Farm Credit Administration any Federal land bank or joint stock land bank may, in the manner as may be prescribed by the Farm Credit Administration and with the approval of the Farm Credit Administration, acquire the assets and assume the liabilities of said joint stock land bank in the hands of a receiver. Any joint stock land bank which has acquired or may hereafter acquire the assets and which has assumed or may hereafter assume the liabilities of another joint stock land bank may, if authorized by the Farm Credit Administration, make loans secured by first mortgages on farm lands within the States in which the other joint stock land bank was authorized to make loans at the time of such acquisition, and the acquiring bank may, with the approval of the Farm Credit Administration, continue to make loans in the States where it was authorized to make loans at the time of such acquisition: *Provided, however,* That the acquiring bank shall not be authorized to make loans at any one time in more than five States, of which one shall be the State in which the bank has its principal office, one shall be contiguous to such State, the other shall be the States in which the acquired joint stock land banks were authorized to make loans at the time of such acquisition, and all of said five States shall be situated in contiguous territory. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 4, 1931, c. 518, § 2, 46 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

§ 16

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

For receivers of joint stock land banks, see also § 963 of this chapter.

GENERAL POWERS OF FARM CREDIT ADMINISTRATION UNDER THIS SUBCHAPTER

§ 831

Enumeration.—The Farm Credit Administration shall have power—

§ 17

(a) *Organizing and chartering banks and loan associations; authorizing increase of stock.*—To organize and charter Federal land banks, and to charter national farm loan associations and joint stock land banks subject to the provisions of this subchapter, and in its discretion to authorize them to increase their capital stock. (July 17, 1916, c. 245, § 17, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

(b) *Reviewing and altering interest rates.*—To review and alter at its discretion the rate of interest to be charged by Federal land banks for loans made by them under the provisions of this subchapter, said rates to be uniform so far as practicable. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(c) *Granting or refusing authority to issue bonds.*—To grant or refuse to Federal land banks, or joint stock land banks, authority to make any specific issue of farm loan bonds. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(d) *Making rules and regulations as to charges on loans.*—To make rules and regulations respecting the charges made to borrowers on loans under this subchapter for expenses in appraisal, determination of title, and recording. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(e) *Requiring reports, etc.; examining banks and associations.*—To require reports and statements of condition and to make examinations of all banks or associations doing business under the provisions of this subchapter. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(f) *Prescribing form and terms of bonds and surety bonds.*—To prescribe the form and terms of farm loan bonds, and the form, terms, and penal sums of all surety bonds required under this subchapter and of such other surety bonds as they shall deem necessary, such surety bonds to cover financial loss as well as faithful performance of duty. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(g) *Regulating payments between banks.*—To require Federal land banks to pay forthwith to any Federal land bank their equitable proportion of any sums advanced by said land bank to pay the coupons of any other land bank, basing said required payments on the amount of farm loan

bonds issued by each land bank and actually outstanding at the time of such requirement. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(h) *Suspending or removal of directors, registrars, appraisers, and examiners.*—To suspend or to remove for cause any district director or any registrar, appraiser, examiner, or other official appointed by said administration under authority of sections 651–664 of this chapter, the cause of such suspension or removal to be communicated forthwith in writing by the Farm Credit Administration to the person suspended or removed, and in case of a district director to the proper Federal land bank. (July 17, 1916, c. 245, § 17, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

(i) *Exercising supervisory authority over banks.*—To exercise general supervisory authority over the Federal land banks, the national farm loan associations, and the joint stock land banks herein provided for. (July 17, 1916, c. 245, § 17, 39 Stat. 275.)

(j) *Incidental powers.*—To exercise such incidental powers as shall be necessary or requisite to fulfill its duties and carry out the purposes of this subchapter. (July 17, 1916, c. 245, § 17, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

Authorization to make rules and regulations, see § 665 of this chapter. “Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

APPLICATIONS FOR FARM LOAN BONDS

§ 841

Application; to whom made; collateral security; schedule.—Any Federal land bank, or joint stock land bank, which shall have voted to issue farm loan bonds under this chapter, shall make written application to the Farm Credit Administration, through the farm loan registrar of the district, for approval of such issue. With said application said land bank shall tender to said farm loan registrar as collateral security first mortgages on farm lands qualified under the provisions of sections 771, 801–808, or 811–824 of this chapter [sections 12, 15, or 16 of the Federal Farm Loan Act, as amended], or United States Government bonds, not less in aggregate amount than the sum of the bonds proposed to be issued. Said bank shall furnish with such mortgages a schedule containing a description thereof and such further information as may be prescribed by the Farm Credit Administration.

§ 18

(July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

Joint stock land banks prohibited from issuing tax-exempt bonds after May 12, 1933, except in circumstances permitted under Section 810 of this chapter.

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 842	Verification of schedule; investigation and appraisal of securities tendered; decision as to application.—Upon receipt of the application provided for in section 841 of this chapter said farm loan registrar shall verify the schedule also provided for in said section and shall transmit said application and said schedule to the Farm Credit Administration, giving such further information pertaining thereto as he may possess. The Farm Credit Administration shall forthwith cause to be made such investigation and appraisal of the securities tendered as it shall deem wise, and it shall grant in whole or in part, or reject entirely, such application. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)	§ 18
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"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 843	Transmission of decisions to land bank and registrar; information to be furnished by registrar.—The Farm Credit Administration shall promptly transmit its decision as to any issue of farm loan bonds to the land bank applying for the same and to the farm loan registrar of the district. Said registrar shall furnish, in writing, such information regarding any issue of farm loan bonds as the Farm Credit Administration may at any time require. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)	§ 18
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"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 844	Written approval of issue requisite.—No issue of farm loan bonds shall be authorized unless the Farm Credit Administration shall approve such issue in writing. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)	§ 18
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"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

ISSUE OF FARM LOAN BONDS

§ 851 **Duties of registrar on approval of bond issue.**— § 19

Whenever any farm loan registrar shall receive from the Farm Credit Administration notice that it has approved any issue of farm loan bonds under the provisions of sections 841–844, he shall forthwith take such steps as may be necessary, in accordance with the provisions of this chapter, to insure the prompt execution of said bonds and the delivery of the same to the land bank applying therefor. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 852 **Rejection of application; return of collateral security.**— § 19

Whenever the Farm Credit Administration shall reject entirely any application for an issue of farm loan bonds, the first mortgages and bonds tendered to the farm loan registrar as collateral security therefor shall be forthwith returned to said land bank by him. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 853 **Disposition of collateral security on approval of application.**— § 19

Whenever the Farm Credit Administration shall approve an issue of farm loan bonds, the farm loan registrar having the custody of the first mortgages and bonds tendered as collateral security for such issue of bonds shall retain in his custody those first mortgages and bonds which are to be held as collateral security, and shall return to the bank owning the same any of said mortgages and bonds which are not to be held by him as collateral security. The land bank which is to issue said farm loan bonds shall transfer to said registrar, by assignment, in trust, all first mortgages and bonds which are to be held by said registrar as collateral security, said assignment providing for the right of redemption at any time by payment as provided in this chapter and reserving the right of substitution of other mortgages qualified under sections 771 and 811–824 of this chapter. Said mortgages and bonds shall be deposited in such deposit vault or bank as the Farm Credit Administration

shall approve, subject to the control of said registrar and in his name as trustee for the bank issuing the farm loan bonds and for the prospective holders of said farm loan bonds. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited there-to, which is set out in full at the beginning of this chapter.

§ 854

Mortgages eligible as collateral.—No mortgage shall be accepted by a farm-loan registrar from a land bank as part of an offering to securing farm loan bonds, either originally or by substitution, except first mortgages made subject to the conditions prescribed in sections 671–683, 711–723, 771, 801–808, and 810–824 of this chapter: *Provided*, That such registrar, when authorized and directed to do so by the Farm Credit Administration, shall accept or retain in his custody as collateral, if otherwise eligible under the provisions of such sections, any first mortgage in connection with which the land bank depositing the same has agreed to defer for a period of not more than ten years the collection of the principal portion of maturing installments and to accept payment of the aggregate amount of such principal on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover the interest payable thereon and in addition thereto such amounts to be applied on the principal after the expiration of the period of deferment as will extinguish the debt within an agreed period of not more than forty years from the date of such agreement. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 4, 1933, c. 270, § 6 (a), 47 Stat. 1549; Mar. 27, 1933, Ex. Or. 6084.)

§ 19

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited there-to, which is set out in full at the beginning of this chapter.

§ 855

Registrar's duty respecting amount of collateral; United States bonds or cash in lieu of mortgages withdrawn.—It shall be the duty of each farm loan registrar to see that the farm loan bonds delivered by him and outstanding do not exceed the amount of collateral security pledged therefor. Such registrar may, in his discretion, temporarily accept, in place of mortgages withdrawn, United States Government bonds or cash. (July 17, 1916, c. 245, § 19, 39 Stat. 376.)

§ 19

- § 856 **Additional security.**—The Farm Credit Administration may, at any time, call upon any land bank for additional security to protect the bonds issued by it. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.) § 19

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 857 **Purchase money mortgages as collateral in lieu of mortgages withdrawn.**—Such farm loan registrar shall also accept purchase money mortgages as collateral security in place of mortgages withdrawn. The banks shall have power to execute all necessary conveyances, transfers, and assignments to carry out this provision. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 4, 1933, c. 270, § 6(b), 47 Stat. 1549.) § 19

FORM OF FARM LOAN BONDS

- § 861 **Denominations; minimum and maximum periods; interest coupons; rates of interest.**—Bonds provided for in this subchapter shall be issued in denominations of \$40, \$100, \$500, \$1,000, and such larger denominations as the Farm Credit Administration may authorize; they shall run for specified minimum and maximum periods, subject to payment and retirement, at the option of the land bank, at any time after the minimum period specified in the bonds, which shall not be longer than ten years from the date of their issue. They shall have interest coupons attached, payable semiannually, and shall be issued in series of not less than \$50,000, the amount and terms to be fixed by the Farm Credit Administration. They shall bear a rate of interest not to exceed 5½ per centum per annum, but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per centum per annum. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.) § 20

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 862 **Rules and regulations as to payment.**—The Farm Credit Administration shall prescribe rules and regulations concerning the circumstances and manner in which farm loan bonds shall be paid and retired under the provisions of this chapter. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.) § 20

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 863 **Delivery to bank.**—Farm loan bonds shall be delivered through the registrar of the district to the bank applying for the same. (July 17, 1916, c. 245, § 20, 39 Stat. 377.) § 20

§ 864 **Preparation; custody of plates and dies; exchange for registered bonds; reexchange for coupons.**—In order to furnish farm loan bonds for delivery at the Federal land banks and joint stock land banks, the Secretary of the Treasury is hereby authorized to prepare suitable bonds in such form, subject to the provisions of this chapter, as the Farm Credit Administration may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the Farm Credit Administration. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. Any expenses incurred in the preparation, custody, and delivery of such farm loan bonds shall be paid by the Secretary of the Treasury from any funds in the Treasury not otherwise appropriated: *Provided, however,* That the Secretary shall be reimbursed for such expenditures by the Farm Credit Administration through assessment upon the farm land banks in proportion to the work executed. They may be exchanged into registered bonds of any amount, and reexchanged into coupon bonds, at the option of the holder, under rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.) § 20

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

SPECIAL PROVISIONS OF FARM LOAN BONDS

Land banks as bound by acts of officers and Credit Administration in issue of bonds.—That each land bank shall be bound in all respects by the acts of its officers in signing and issuing farm loan bonds and by the acts of the Farm Credit Administration in authorizing their issue. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.) § 21

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 872 **Liability of each Federal land bank for bonds issued by it and by other Federal land banks.**— § 21
 Every Federal land bank issuing farm loan bonds shall be primarily liable therefor, and shall also be liable, upon presentation of farm loan bond coupons, for interest payments due upon any farm loan bonds issued by other Federal land banks and remaining unpaid in consequence of the default of such other land banks; and every such bank shall likewise be liable for such portion of the principal of farm loan bonds so issued as shall not be paid after the assets of any such other land banks shall have been liquidated and distributed: *Provided*, That such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent land banks liable therefor in proportion to the amount of farm loan bonds which each may have outstanding at the time of such assessment. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 873 **Federal land banks; action of directors respecting bond liability.**—Every Federal land bank shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on farm loan bonds as provided in sections 871–886 of this chapter. (July 17, 1916, c. 245, § 21, 39 Stat. 377.)

§ 874 **Signing and attesting bonds; certificate of Land Bank Commissioner.**—Every farm loan bond issued by a Federal land bank shall be signed by its president or vice president and attested by its secretary or assistant secretary. For the purpose of signing such bonds the board of directors of any Federal land bank is authorized to select a vice president who need not be a member of the board of directors; such bonds shall also contain in the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of the Federal Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security of United States Government bonds, or first mortgages on farm lands at least equal in amount to the bonds issued; and

that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Apr. 20, 1920, c. 154, § 6, 41 Stat. 571; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 75, 80 (a), 48 Stat. 271 and 273.

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 875 **Consolidated bonds; authority of Federal land banks to issue and sell.** § 21

—Whenever it shall appear desirable to issue consolidated bonds of the twelve Federal land banks and to sell them through a common selling agency, and the Federal land banks shall, by resolution, consent to the same, the banks may issue and sell said bonds as hereinafter provided. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.)

§ 876 **Consolidated bonds; signature and attestation; joint and several obligations; recitals.** § 21

—Every bond so issued shall be signed by the Land Bank Commissioner and attested by any deputy land bank commissioner, and their signatures may be either written or engraved thereon and shall recite in the face of the bond the fact that it is the joint and several obligation of the twelve Federal land banks, and shall in all respects be governed by the provisions of the Federal Farm Loan Act not inconsistent herewith. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

§ 877 **Consolidated bonds; when payable.** § 21

—The consolidated bonds issued under this provision shall be made payable at any Federal land bank, and may be made payable at any Federal reserve bank or banks designated in the face of the bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.)

§ 878 **Consolidated bonds; act of Commissioner binding on banks.** § 21

—Each Federal land bank on whose behalf consolidated bonds shall be issued under this provision shall in all respects be bound by the act of the Land Bank Commissioner and the [attesting] deputy land bank commissioner. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1925, c. 524, § 6, 43 Stat. 1264; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

§ 879 **Consolidated bonds; action of directors respecting bond liability.**—Every Federal land bank, before participation in a consolidated issue, as herein provided, shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on Federal farm loan bonds as provided in sections 871–886, and be bound by the action of the Land Bank Commissioner and any deputy land bank commissioner in executing the same. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 272, 273.) § 21

§ 880 **Certificate of Land Bank Commissioner.**—Every farm loan bond issued hereunder shall contain on the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of Title I of the Federal Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security consisting of obligations of the United States Government or first mortgages on farm lands, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 75, 80 (a), 48 Stat. 272, 273.) § 21

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 881 **Farm loan bonds, special provisions of; consolidated bonds; participation of Federal land bank in issue; collateral.**—
 (a) **Approval of issue requisite; collateral to be held separate from collective security for individual bonds; payments on pledged mortgages as trust funds.**—When any Federal land bank shall desire to participate in a consolidated issue of farm loan bonds it shall make application to the Farm Credit Administration for the approval on its behalf of such issue and tender to the registrar approved farm mortgages, or obligations of the United States Government, as security therefor, and no banks shall participate in such consolidated issue until such application has been approved by the Farm Credit Administration. Such approved farm mortgages § 21

§ 881 or obligations of the United States Government shall be held by each farm loan registrar as collateral security for consolidated bonds, separate and apart from the mortgages and/or Government bonds held by him as collective security for the bonds previously issued or assumed individually by the Federal land bank of his district. Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of consolidated farm loan bonds shall constitute a trust fund in the hands of the Federal land bank receiving the same and shall be applied or employed in the manner provided in sections 891–899 with respect to payments on principal of first mortgages held as collateral for farm loan bonds of individual banks. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.) § 21

(b) Notice to registrar of disposition of payments on mortgages held as collateral; maintenance of collateral by banks.—Every Federal land bank shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held as collateral security for the issue of consolidated farm loan bonds, and said registrar is authorized, at his discretion to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. Each bank shall maintain with the farm loan registrar of its district collateral security for the issue of consolidated farm loan bonds in an amount at least equal to the face amount of such bonds issued on its behalf. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550.)

(c) Withdrawal of collateral on surrender of bonds.—When any Federal land bank shall surrender to the farm loan registrar of its district any consolidated Federal farm loan bonds, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds previously pledged as collateral in connection with any issue of consolidated farm loan bonds to an amount equal to the consolidated farm loan bonds so surrendered and it shall be the duty of such registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550.)

(d) **Additional collateral; payment of bonds and coupons.**—The Farm Credit Administration may at any time call upon any Federal land bank for additional security to protect the consolidated bonds issued under the provisions of this section. Each bank shall pay when due, without notice, all bonds and coupons issued on its behalf hereunder. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

(e) **Power of Federal land bank to exchange consolidated bonds for individual bonds.**—Every Federal land bank shall have power to exchange consolidated farm loan bonds for farm loan bonds previously issued or assumed by it individually, with the approval of and under rules and regulations promulgated by the Farm Credit Administration. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 48 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 882

Consolidated bonds; failure of participating bank to pay interest or principal; liability of other banks.—If any Federal land bank shall fail to pay its proportion of interest or principal as herein [section 881 (d)] prescribed, the Farm Credit Administration shall immediately call upon the other Federal land banks for the amount necessary to make said payment, the assessments to be made in proportion to the capital stock of each, which assessments shall be forthwith paid by said banks. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1477; Mar. 27, 1933, Ex. Or. 6084.)

§ 21

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 883

Bond committee.—The presidents of the twelve Federal land banks shall constitute the bond committee of the Federal land banks and shall select a chairman from among their number. The vice president may act in place of the president on the president's request or in case he fails to act. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252; § 308, 42 Stat. 1476.)

§ 21

- § 884 **Consolidated bonds; duties of bond committee.**—When an issue of consolidated bonds is contemplated, the bond committee shall determine the amount of such issue, the rate of interest which it is to bear, and the participation of the several banks therein, and submit their recommendations to the Farm Credit Administration for approval. When approved by the Farm Credit Administration the bonds shall be executed by the Land Bank Commissioner and any Deputy Land Bank Commissioner, as herein [section 876] provided. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.) § 21

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 885 **Consolidated bonds; expenses.**—The expenses of the bond committee and of the sale of bonds shall be charged against the several land banks in proportion to their participation in the proceeds. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.) § 21

- § 886 **Compensation of members of bond committee.**—The presidents of the Federal land banks shall receive no additional compensation for their services as members of the bond committee, but shall be paid the necessary traveling expenses. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.) § 21

APPLICATION OF AMORTIZATION AND INTEREST PAYMENTS

- § 891 **Payments upon mortgages pledged as collateral for bond issue; notice to registrar; cancellation of mortgage and discharge of lien upon full payment.**—Whenever any Federal land bank, or joint stock land bank, shall receive any interest, amortization, or other payments upon any first mortgage or bond pledged as collateral security for the issue of farm loan bonds, it shall forthwith notify the farm loan registrar of the items so received. Said registrar shall forthwith cause such payment to be duly credited upon the mortgage entitled to such credit. Whenever any such § 22

mortgage is paid in full, said registrar shall cause the same to be canceled and delivered to the proper land bank, which shall promptly satisfy and discharge the lien of record and transmit such canceled mortgage to the original maker thereof, or his heirs, administrators, executors, or assigns. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

§ 892	Withdrawal of collateral and substitution of other security.—Upon written application by any Federal land bank, or joint stock land bank, to the farm loan registrar, it may be permitted, in the discretion of said registrar, to withdraw any mortgages or bonds pledged as collateral security under this chapter, and to substitute therefor other similar mortgages or United States Government bonds not less in amount than the mortgages or bonds desired to be withdrawn. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)	§ 22
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§ 893	Place and mode of payment of bonds or interest thereon; cancellation on payment.—Whenever any farm loan bonds, or coupons or interest payments of such bonds, are due under their terms, they shall be payable at the land bank by which they were issued, in gold or lawful money, and upon payment shall be duly canceled by said bank. At the discretion of the Farm Credit Administration, payment of any farm loan bond or coupon or interest payment may, however, be authorized to be made at any Federal land bank, any joint stock land bank, or any other bank, under rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 22, 39 Stat. 378; Mar. 27, 1933, Ex. Or. 6084.)	§ 22
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“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 894	Withdrawal of collateral security on surrender of bonds.—When any land bank shall surrender to the proper farm loan registrar any farm loan bonds of any series, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds pledged as collateral security for any of said series of farm loan bonds to an amount equal to the farm loan bonds so surrendered, and it shall be the duty of said registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)	§ 22
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§ 895 **Interest payments on pledged mortgages.—** § 22

Interest payments on hypothecated first mortgages shall be at the disposal of the land bank pledging the same, and shall be available for the payment of coupons and the interest of farm loan bonds as they become due. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

§ 896 **Payment of bonds, coupons, and interest at maturity.—** § 22

Whenever any bond matures, or the interest on any registered bond is due, or the coupon on any coupon bond matures, and the same shall be presented for payment as provided in this subchapter, the full face value thereof shall be paid to the holder. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

§ 897 **Payment of bonds, coupons, and interest at maturity; trust fund from payments on mortgages held as collateral.—** § 22

Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of farm loan bonds shall constitute a trust fund in the hands of the Federal land bank or joint stock land bank receiving the same, and shall be applied or employed as follows:

In the case of a Federal land bank—

(a) To pay off farm loan bonds issued by or in behalf of said bank as they mature.

(b) To purchase at or below par Federal farm loan bonds.

(c) To loan on first mortgages on farm lands within the land bank district, qualified under this chapter as collateral security for an issue of farm loan bonds.

(d) To purchase United States Government bonds.

(e) To purchase Federal Farm Mortgage Corporation bonds.

In the case of a joint stock land bank—

(a) To pay off farm loan bonds issued by said bank as they mature.

(b) To purchase at or below par farm loan bonds.

(c) To loan on first mortgages qualified under sections 811–821 of this chapter.

(d) To purchase United States Government bonds. (July 17, 1916, c. 245, § 22, 39 Stat. 378; Mar. 4, 1923, c. 252, § 309, 42 Stat. 1477; May 12, 1933, c. 98, § 29, 48 Stat. 46; Jan. 31, 1934, c. 7, § 8, 48 Stat. 344.)

§ 898 **Payment of bonds, coupons, and interest at maturity; deposit of trust funds with registrars as substituted collateral security.**—The farm loan bonds, first mortgages, United States Government bonds, or cash constituting the trust funds aforesaid shall be forthwith deposited with the farm loan registrar as substituted collateral security in place of the sums paid on the principal of indorsed mortgages held by him in trust. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22

§ 899 **Payment of bonds, coupons, and interest at maturity; notice to registrar of disposition of principal payments on mortgages held as collateral; transfer to registrar on demand.**—Every Federal land bank or joint stock land bank shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held as collateral security for an issue of farm loan bonds, and said registrar is authorized, at his discretion, to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22

RESERVES AND DIVIDENDS OF LAND BANKS

§ 901 **Amount carried to reserve account; making good impairment; debit to reserve account.**— § 23

(a) *Federal land bank; amount carried to reserve; making good impairment.*—Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13.)

(b) *Joint stock land banks; amount carried to reserve; making good impairment.*—Every joint stock land bank shall semiannually carry to reserve account 25 per centum of its net earnings until said reserve account shall show a credit balance equal to 20 per centum of the outstanding capital stock of said land bank. After said reserve has reached the sum of 20 per centum of the outstanding capital

stock, 5 per centum of the net earnings shall be annually added thereto. Whenever said reserve shall have been impaired, said balance of 20 per centum shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

(c) *Debit to reserve account.*—For the period of two years from the date when any default occurs in the payment to any land bank of the interest, amortization installments, or principal on any first mortgage, by both mortgagor and indorser, the amount so defaulted shall be carried to a suspense account, and at the end of the two-year period specified, unless collected, shall be debited to reserve account. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

§ 902

Dividends on balance of net earnings; investment of reserves.—(a) *Federal land bank dividends.*—After deducting the 50 per centum or the 10 per centum directed to be deducted for credit to reserve account by section 901 of this chapter, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13; Mar. 27, 1933, Ex. Or. 6084.)

§ 23

(b) *Joint-stock land bank dividends.*—After deducting the 25 per centum or the 5 per centum directed to be deducted for credit to reserve account by section 901 of this chapter, any joint stock land bank may declare a dividend to shareholders of the whole or any part of the balance of its net earnings: *Provided*, That any dividend or dividends declared by any joint stock land bank shall be subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (b), 47 Stat. 13; Mar. 27, 1933, Ex. Or. 6084.)

(c) *Investment of reserves.*—The reserves of land banks shall be invested in accordance with rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

RESERVES AND DIVIDENDS OF NATIONAL FARM
LOAN ASSOCIATIONS

- § 911 **Amount carried to reserve account.**—Every national farm loan association shall, out of its net earnings, semiannually carry to reserve account a sum not less than 10 per centum of such net earnings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be semiannually added thereto. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.) § 24
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- § 912 **Making good impairment of reserve.**—Whenever the reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.) § 24
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- § 913 **Dividends on balance of net earnings.**—After deducting the 10 per centum or the 5 per centum hereinbefore directed to be credited to reserve account, said association may at its discretion declare a dividend to shareholders of the whole or any part of the balance of said net earnings. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.) § 24
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- § 914 **Investment of reserves.**—The reserves of farm loan associations shall be invested in accordance with rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Mar. 27, 1933, Ex. Or. 6084.) § 24
- “Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.
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- § 915 **Disposition of reserve on liquidation.**—Whenever any farm loan association shall be voluntarily liquidated a sum equal to its reserve account as herein required shall be paid to and become the property of the Federal land bank in which such loan association may be a shareholder. (July 17, 1916, c. 245, § 24, 39 Stat. 379.) § 24

DEFAULTED FARM LOANS

- § 921 **Mortgage held by Federal land bank; notice to indorsing association; making good default.**—If there shall be default under the terms of any indorsed first mortgage held by a Federal land bank under the provisions of this chapter the national farm loan association through which said mortgage was received by said Federal land bank shall be notified of said default. Said association may thereupon be required, within 30 days after such notice, to make good such default, either by payment of the amount unpaid thereon in cash or by the substitution of an equal amount of Federal farm loan bonds, with all unmatured coupons attached. (July 17, 1916, c. 245, § 25, 39 Stat. 380; Mar. 4, 1923, c. 252, § 310, 42 Stat. 1477.) § 25

EXEMPTION FROM TAXATION

- § 931 **Federal land banks; national farm loan associations; mortgages and bonds as instrumentalities of Government.**—Every Federal land bank and every national farm loan association, including the capital and reserve or surplus therein and the income derived therefrom, shall be exempt from Federal, State, municipal, and local taxation, except taxes upon real estate held, purchased, or taken by said bank or association under the provisions of sections 761 and 781 of this chapter. First mortgages executed to Federal land banks, or to joint stock land banks, and farm loan bonds issued under the provisions of this chapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation. (July 17, 1916, c. 245, § 26, 39 Stat. 380.) § 26
- § 932 **Joint stock land banks; State taxation of shareholder, limitations on.**—Nothing herein shall prevent the shares in any joint stock land bank from being included in the valuation of the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which the bank is located; but such assessment and taxation shall be in manner and subject to the conditions and limitations contained in section 548 of this title with reference to the shares of national banking associations. (July 17, 1916, c. 245, § 26, 39 Stat. 380.) § 26

- § 933 **Federal and joint stock land banks; real property not exempt.**—Nothing herein shall be construed to exempt the real property of Federal and joint stock land banks and national farm loan associations from either State, county, or municipal taxes, to the same extent, according to its value, as other real property is taxed. (July 17, 1916, c. 245, § 26, 39 Stat. 380.) § 26

INVESTMENT IN FARM LOAN BONDS

- § 941 **Fiduciary and trust funds; security for public deposits.**—Farm loan bonds issued under the provisions of this chapter by Federal land banks or joint stock land banks shall be a lawful investment for all fiduciary and trust funds, and may be accepted as security for all public deposits. (July 17, 1916, c. 245, § 27, 39 Stat. 380.) § 27

- § 942 **Buying and selling by member banks of Federal reserve system.**—Any member bank of the Federal reserve system may buy and sell farm loan bonds issued under the authority of this chapter. (July 17, 1916, c. 245, § 27, 39 Stat. 380.) § 27

- § 943 **Buying and selling by reserve banks.**—Any Federal reserve bank may buy and sell farm loan bonds issued under this chapter to the same extent and subject to the same limitations placed upon the purchase and sale by said banks of State, county, district, and municipal bonds under section 14 (b) of the Federal Reserve Act of December 23, 1913 [section 355 of chapter 3 of this Title]. (July 17, 1916, c. 245, § 27, 39 Stat. 380.) § 27

EXAMINATIONS

- § 951 **Land bank examiners; appointment; number.**—The Farm Credit Administration shall appoint as many land bank examiners as in its judgment may be required to make careful examinations of the banks and associations permitted to do business under this subchapter and subchapter III of this chapter. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.) § 28

“Farm Credit Administration” mentioned in the text was substituted or “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 952 **Requirements, responsibilities, and penalties applicable to examiners; examinations; reports.**—Land bank examiners shall be subject to the same requirements, responsibilities, and penalties as are applicable to national bank examiners under chapters 2 and 3 of this title and other provisions of law. Whenever directed by the Farm Credit Administration, said examiners shall examine the condition of any national farm loan association and report the same to the Land Bank Commissioner. They shall examine and report the condition of every Federal land bank and joint stock land bank at least twice each year. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 28

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 953 **Salaries of examiners.**—Land bank examiners shall receive salaries to be fixed by the Farm Credit Administration. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.) § 28

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For assessments on banks for amount of salaries and expenses, see § 567 of this chapter.

DISSOLUTION AND APPOINTMENT OF RECEIVERS

§ 961 **National farm loan associations; institution and conduct of receivership; duties and powers of receivers.**—Upon receiving satisfactory evidence that any national farm loan association has failed to meet its outstanding obligations of any description the Farm Credit Administration may forthwith declare such association insolvent and appoint a receiver and require of him such bond and security as it deems proper: *Provided*, That no national farm loan association shall be declared insolvent by said administration until the total amount of defaults of current interest and amortization installments on loans indorsed by national farm loan associations shall amount to at least \$150,000 in the Federal land bank district, unless such association shall have been in default for a period of two years. Such receiver, under the direction of the Farm Credit Administration, shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to it, and, with the approval of the Farm Credit Administration, § 29

or upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like approval or order, may sell all the real and personal property of such association, on such terms as the Farm Credit Administration or said court shall direct. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 962 **Disposition of moneys collected by receiver; reports.**—Such receiver shall pay over all money so collected to the Treasurer of the United States subject to the order of the Farm Credit Administration, and also make report to said administration of all his acts and proceedings. The Secretary of the Treasury shall have authority to deposit at interest any money so received. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.) § 29

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 963 **Federal and joint stock land banks; institution and conduct of receivership.**—Upon default of any obligation, Federal land banks and joint stock land banks may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961–967 regarding national farm loan associations. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.) § 29

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 963a **Authorization to receiver to borrow money for paying taxes on real estate.**—Any receiver appointed by the Farm Credit Administration pursuant to sections 961–967 of this chapter, as amended, or any receiver appointed by a district court of the United States, is authorized, for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it, with the approval of the Land Bank Commissioner, to borrow from the Reconstruction Finance Corporation and to issue receiver's certificates against § 29

the assets of such bank as security for any loan received from the Corporation under this section, and such certificates shall constitute a prior lien on such assets. The Reconstruction Finance Corporation is authorized to make loans to such receivers for the purposes of this section. (Mar. 27, 1933, Ex. Or. 6084; May 12, 1933, c. 25, § 27, 48 Stat. 45; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 964

National farm loan associations; disposition of stock in Federal land bank.—If any national farm loan association shall be declared insolvent and a receiver shall be appointed therefor by the Farm Credit Administration, the stock held by it in the Federal land bank of its district shall be canceled without impairment of its liability and all payments on such stock, with accrued dividends, if any, since the date of the last dividend shall be first applied to all debts of the insolvent farm loan association to the Federal land bank and the balance, if any, shall be paid to the receiver of said farm loan association: *Provided*, That in estimating said debts contingent liabilities incurred by national farm loan associations under the provisions of this chapter on account of default of principal or interest of indorsed mortgages shall be estimated and included as a debt, and said contingent liabilities shall be determined by agreement between the receiver and the Federal land bank of the district, subject to the approval of the Farm Credit Administration, and if said receiver and said land bank cannot agree, then by the decision of the Land Bank Commissioner, and the amount thus ascertained shall be deducted in accordance with the provisions of this section from the amount otherwise due said national farm loan association for said canceled stock. Whenever the capital stock of a Federal land bank shall be reduced, the board of directors shall cause to be executed a certificate to the Farm Credit Administration, showing such reduction of capital stock, and, if said reduction shall be due to the insolvency of a national farm loan association, the amount repaid to such association. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 29

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 965 **Voluntary liquidation; consolidation of farm loan associations.**—No national farm loan association, Federal land bank, or joint stock land bank shall go into voluntary liquidation without the written consent of the Farm Credit Administration, but national farm loan associations may consolidate under rules and regulations promulgated by the Farm Credit Administration. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.) § 29

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For limitations on new business of joint stock land banks, and provisions for assisting in their orderly liquidation, see § 810 and § 823 (note), of this chapter.

- § 966 **National farm loan associations; disposition of stock in Federal land bank upon voluntary liquidation; personal liability of members.**—Upon liquidation of any national farm loan association, the stock in the Federal land bank held by such association shall be canceled and the Federal land bank shall thereupon issue to the borrowers through such association an amount of stock in the Federal land bank equal to the amount of stock held by such borrowers in the liquidated association, such stock to be held by the bank as collateral to the loans of such borrowers and to be paid off and retired at par in the same manner as stock held by borrowers in farm loan associations, and the Federal land bank shall pay to the borrowers holding such stock the same dividends as are paid to national farm loan associations by such bank. The personal liability of the stockholders in such liquidated association to the association shall survive such liquidation and shall be vested in the bank in that district, which may enforce the same as fully as the association could if in existence. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 4, 1923, c. 252, § 311, 42 Stat. 1478.) § 29

STATE LEGISLATION IMPAIRING SECURITY OF FARM LOANS

- § 971 **Examination to ascertain adequacy of safeguards to mortgagee.**—It shall be the duty of the Land Bank Commissioner to make examination of the laws of every State of the United States and to inform the Farm Credit Administration as rapidly as may be whether in his judgment the laws of each State relating to the conveying and recording of land titles, and the foreclosure of § 30

mortgages or other instruments securing loans, as well as providing homestead and other exemptions and granting the power to waive such exemptions as respects first mortgages, are such as to assure the holder thereof adequate safeguards against loss in the event of default on loans secured by any such mortgages. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 972 **Effect of insufficient protection on mortgages covering land in State; assistance in examining laws.**—Pending the making of such examination in the case of any State, the Farm Credit Administration may declare first mortgages on farm lands situated within such State ineligible as the basis for an issue of farm loan bonds; and if said examination shall show that the laws of any such State afford insufficient protection to the holder of first mortgages of the kinds provided in this subchapter, said Farm Credit Administration may declare said first mortgages on land situated in such State ineligible during the continuance of the laws in question. In making his examination of the laws of the several States and forming his conclusions thereon said Land Bank Commissioner may call upon the office of the Attorney General of the United States for any needed legal advice or assistance, or may employ special counsel in any State where he considers such action necessary. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 973 **Statement to State Executive.**—At the request of the Executive of any State the Farm Credit Administration shall prepare a statement setting forth in what respects the requirements of said administration cannot be complied with under the existing laws of such State. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

PENALTIES

§ 981 **False statements in applications for loans; willful overvaluation of land; acceptance of loan or gratuity by examiners.**—Any applicant for a loan under this subchapter who shall knowingly make any false statement in his application for such loan, and any member of a loan committee or any appraiser provided for in this subchapter who shall willfully overvalue any land offered as security for loans under this subchapter, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both. Any examiner appointed under this subchapter who shall accept a loan or gratuity from any land bank or national farm loan association examined by him, or from any person connected with any such bank or association in any capacity, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as an examiner under the provisions of this subchapter. No examiner, while holding such office, shall perform any other service for compensation for any bank or banking or loan association, or for any person connected therewith in any capacity. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

§ 31

§ 982 **Falsely making, forging, or counterfeiting bonds or coupons; passing false bonds or coupons; falsely altering.**—Any person who shall falsely make, forge, or counterfeit, or cause or procure to be falsely made, forged, or counterfeited, or willingly aid or assist in falsely making, forging, or counterfeiting any bond, coupon, or paper in imitation of, or purporting to be in imitation of, the bonds or coupons issued by any land bank or national farm loan association, now or hereafter authorized and acting under the laws of the United States; or any person who shall pass, utter, or publish, or attempt to pass, utter, or publish any false, forged, or counterfeited bond, coupon, or paper purporting to be issued by any such bank or association, knowing the same to be falsely made, forged, or counterfeited; or whoever shall falsely alter, or cause or procure to be falsely altered, or shall willingly aid or assist in falsely altering any such bond, coupon, or paper, or shall pass, utter, or publish as true any falsely altered or spurious bond, coupon, or

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paper issued, or purporting to have been issued, by any such bank or association, knowing the same to be falsely altered or spurious, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding five years, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

§ 983

Charging or receiving unauthorized fee or commission; disclosing names of borrowers.—Other than the usual salary or director's fee paid to any officer, director, or employee of a national farm loan association, a Federal land bank, or a joint stock land bank, and other than a reasonable fee paid by such association or bank to any officer, director, attorney, or employee for services rendered, no officer, director, attorney, or employee of an association or bank organized under this subchapter shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of such association or bank. No land bank or national farm loan association organized under this subchapter shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized. No examiner, public or private, shall disclose the names of borrowers to other than the proper officers of a national farm loan association or land bank without first having obtained express permission in writing from the Land Bank Commissioner or from the board of directors of such association or bank, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress or of either House duly authorized. Any person violating any provision of this paragraph shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 31

§ 984

Fraud and embezzlement.—Any person connected in any capacity with any national farm loan association, Federal land bank, or joint stock land bank, who embezzles, abstracts, or willfully misapplies any moneys, funds, or credits thereof, or who without authority from the directors draws any order, assigns any note, bond, draft, mortgage, judgment, or decree thereof, or who makes any false entry in any book, report, or statement of such

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association or land bank with intent in either case to defraud such institution or any other company, body politic or corporate, or any individual person, or to deceive any officer of a national farm loan association or land bank or any agent appointed to examine into the affairs of any such association or bank, and every person who with like intent aids or abets any officer, clerk, or agent in any violation of this section, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding five years, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

§ 985

False pretenses as to character of bonds or coupons.—Any person who shall deceive, defraud, or impose upon, or who shall attempt to deceive, defraud, or impose upon, any person, firm, or corporation by making any false pretense or representation regarding the character, issue, security, or terms of any farm loan bond, or coupon, issued under the terms of this subchapter; or by falsely pretending or representing that any farm loan bond, or coupon, issued under the terms of this subchapter by one class of land banks is a farm loan bond, or coupon, issued by another class of banks; or by falsely pretending or representing that any farm loan bond, or coupon, issued under the terms of this subchapter, or anything contained in said farm loan bond, or coupon, is anything other than, or different from, what it purports to be on the face of said bond or coupon, shall be fined not exceeding \$500 or imprisoned not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

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The following acts constitute misdemeanors, and the commission of any such acts subjects any person to fine or imprisonment, under the provisions of an Act of May 24, 1926, which are included in §§ 583–588 of chapter 5 of this Title; for any bank, banking association, trust company, corporation, association, firm, partnership, or person not organized under the provisions of chapter 7 of this Title to advertise or represent that it makes Federal farm loans or advertise or offer for sale as Federal farm loan bonds any bond not issued under the provisions of chapter 7 of this Title, or make any use of the word “Federal” or the words “United States,” or any other word or words implying governmental ownership, obligation or supervision in advertising, or offering for sale any bond, note, mortgage, or other security not issued by the Government of the United States or under the provisions of said chapter 7, or some other Act of Congress.

Detection and arrest of violators.—The Secretary of the Treasury is hereby authorized to direct and use the Secret Service Division of the Treasury Department to detect, arrest, and deliver into custody of the United States marshal having jurisdiction, any person or persons violating any of the provisions of sections 981–987. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

§ 987	False statements by mortgagee relating to sale of mortgage to Federal land bank; overvaluation of land securing such mortgage.—Any mortgagee who shall knowingly make any false statement in any paper, proposal, or letter, relating to the sale of any mortgage, to any Federal land bank under the provisions of section 781 of this chapter, as amended, or any appraiser provided for in this subchapter who shall willfully overvalue any land securing such mortgage, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382; June 16, 1933, c. 98, § 78, 48 Stat. 272.)	§ 31
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GOVERNMENT DEPOSITS IN LAND BANKS

§ 991	Interest rate; security; maximum amount.—The Secretary of the Treasury is authorized, in his discretion, upon the request of the Farm Credit Administration, to make deposits for the temporary use of any Federal land bank, out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the Treasury a certificate of indebtedness for any such deposit, bearing a rate of interest not to exceed the current rate charged for other Government deposits, to be secured by farm loan bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the discretion of the Secretary of the Treasury. The aggregate of all sums so deposited by the Secretary of the Treasury shall not exceed the sum of \$6,000,000 at any one time. (July 17, 1916, c. 245, § 32, 39 Stat. 384; Mar. 27, 1933, Ex. Or. 6084.)	§ 32
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“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Federal land banks as depositories of public money, see § 701 of this chapter.

§ 992

§ 32

Government guaranty of interest on qualified Federal land bank bonds issued during limited period; use of proceeds of such bonds; limitation on aggregate amount of such bonds; payment of interest by Government upon inability of issuing bank; rights of Government after such payment.—Until such time as the Land Bank Commissioner determines that Federal farm loan bonds (other than those issued under this paragraph) are readily salable in the open market at a yield not in excess of 4 per centum per annum, but in no case more than two years after May 12, 1933, Federal land banks may issue farm loan bonds as authorized under this subchapter, for the purpose of making new loans, or for purchasing mortgages or exchanging bonds for mortgages as provided in paragraph "Second" of section 781 of this chapter. The aggregate amount of the bonds issued under this paragraph shall not exceed \$2,000,000,000, and such bonds shall be issued in such denominations as the Land Bank Commissioner shall prescribe, shall bear interest at a rate not in excess of 4 per centum per annum, and shall be fully and unconditionally guaranteed as to interest by the United States, and such guaranty shall be expressed on the face thereof. In the event that it shall appear to the Land Bank Commissioner that the issuing bank or banks will be unable to pay upon demand, when due, the interest on any such bonds, the Secretary of the Treasury shall, upon the request of the Commissioner, pay the amount thereof, which is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated. Upon the payment of such interest by the Secretary of the Treasury the amount so paid shall become an obligation to the United States of the issuing bank or banks and shall bear interest at the same rate as that borne by the bonds upon which the interest has been so paid. After the expiration of one year from May 12, 1933, if in the opinion of the Land Bank Commissioner any part of the proceeds of the bonds authorized to be issued under this paragraph is not required for the purpose of making new loans or for purchasing mortgages or exchanging bonds for mortgages as herein provided, such bonds may be issued within the maximum limit herein specified for the purpose of refinancing any outstanding issues of Federal farm loan bonds; but no such bonds shall be issued after two years from May 12, 1933, for the purpose of such refinancing. (July 17,

1916, c. 245, § 32, 39 Stat. 384; May 12, 1933, c. 25, § 21, 48 Stat. 41; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

Limitation on issuance of bonds under this section, see § 992a of this chapter.

§ 992a **Limitation of section 992.**—After ninety days after January 31, 1934, no Federal land bank shall issue any bonds under the provisions of section 992 of this Chapter, as amended, subject to the guarantee of interest on such bonds by the United States except for the purpose of refinancing any bond which is or has been issued subject to such guarantee of interest. (Jan. 31, 1934, c. 7, § 5, 48 Stat. 344.)

§ 993 **Bonds issued under section 992; delivery in payment of certain mortgages.**—Any borrower who obtains a loan from a Federal land bank after May 12, 1933, may, at any time after the expiration of five years from the date such loan was made, tender to such bank on any regular installment date, bonds issued under this paragraph in an amount not to exceed the unpaid principal of his loan, and the bonds so tendered shall be accepted by the bank at par in payment of any part of such unpaid principal. (July 17, 1916, c. 245, § 32, 39 Stat. 384; May 12, 1933, c. 25, § 21, 48 Stat. 41.) § 32

LIMITATION OF COURT DECISIONS

§ 1011 **Limitation of court decisions respecting validity of provisions.**—If any clause, sentence, paragraph, or part of this subchapter or of subchapter III hereof shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said subchapters, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered. (July 17, 1916, c. 245, § 34, 39 Stat. 384; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454.) § 34

AMENDMENTS TO CHAPTER

§ 1012 **Reservation of right to amend.**—The right to amend, alter, or repeal this subchapter or subchapter III of this chapter is hereby expressly reserved. (July 17, 1916, c. 245, § 35, 39 Stat. 384; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454.) § 35

SUBCHAPTER II—LOANS TO FARMERS BY LAND BANK COMMISSIONER

§ 1016 **Loans to farmers by Land Bank Commissioner; provisions governing—(a) Funds available to Commissioner; security for Commissioner's loans.—**The Reconstruction Finance Corporation is authorized and directed to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans as hereinafter provided to any farmer, secured by a first or second mortgage upon the whole or any part of the farm property, real or personal, including crops, of the farmer. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(b) Maximum loan; value of security for loan.—The amount of the mortgage given by any farmer, together with all prior mortgages or other evidences of indebtedness secured by such farm property of the farmer, shall not exceed 75 per centum of the normal value thereof, as determined upon an appraisal made pursuant to the preceding subchapter, as amended; nor shall a loan in excess of \$7,500 be made to any one farmer. (May 12, 1933, c. 25, § 32, 48 Stat. 48; Jan. 31, 1934, c. 7, § 10, 48 Stat. 344.)

(c) Provisions to be included in mortgage; interest rate; repayment of principal in installments; maximum terms of loans as affected by character of security; privilege of deferring principal payments during first three years of loan.—Every mortgage made under this section shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments, sufficient to cover (1) interest on unpaid principal at a rate not to exceed 5 per centum per annum and (2) such payments equal in amount to be applied on principal as will extinguish the debt within an agreed period of not more than ten years or, in the case of a first or second mortgage secured wholly by real property and made for the purpose of reducing and refinancing an existing mortgage within an agreed period no greater than that for which loans may be made under the preceding subchapter, as amended, from the date the first payment on principal is due: *Provided*, That during the first three years the loan is in effect payments of interest only may be required if the borrower shall not be in default with respect to any other condition or covenant of his mortgage. (May 12, 1933, c. 25, § 32, 48 Stat. 48.)

(d) Requirement of waiver by prior lien holder.—No loan shall be made under this section unless the

§ 1016 holder of any prior mortgage or instrument of indebtedness secured by such farm property arranges to the satisfaction of the Land Bank Commissioner to limit his right to proceed against the farmer and such farm property for default in payment of principal. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(e) **Purposes of loans.**—Loans under this section shall be made for the following purposes only: (1) Refinancing, either in connection with proceedings under chapter VIII of the Bankruptcy Act of July 1, 1898, as amended (relating to agricultural compositions and extensions), or otherwise, any indebtedness, secured or unsecured, of the farmer, (2) providing working capital for his farm operations, and (3) enabling any farmer to redeem and/or repurchase farm property owned by him prior to foreclosure which has been foreclosed at any time between July 1, 1931, and May 12, 1933, or which is foreclosed after the enactment of this Act. The provisions of paragraph "Ninth" of section 781 of this chapter, as amended (relating to charges to applicants for loans and borrowers from the Federal land banks), shall, so far as practicable, apply to loans made under this section. (May 12, 1933, c. 25, § 32, 48 Stat. 48.)

(f) **"Farmer" defined.**—As used in this section, the term "farmer" means any individual who is bona fide engaged in farming operations, either personally or through an agent or tenant, or the principal part of whose income is derived from farming operations, and includes a personal representative of a deceased farmer. (May 12, 1933, c. 25, § 32, 48 Stat. 48.)

(g) **Loans by Commissioner on behalf of Federal Farm Mortgage Corporation; loans in cash or bonds; amount available.**—Until February 1, 1936, the Land Bank Commissioner shall, in his name, make loans under this section on behalf of the Federal Farm Mortgage Corporation, either in cash or in bonds of the corporation at his election, but no such loans shall be made by him after February 1, 1936, except for the purpose of refinancing loans previously made by him under this section. Not to exceed \$600,000,000 of the bonds and proceeds thereof issued under section 1020c of this chapter are hereby made available for the purposes of this section, in addition to the amounts transferred to such corporation under section 1020b of this chapter. (May 12, 1933, c. 25, § 32, 48 Stat. 48; Jan. 31, 1934, c. 7, § 9, 48 Stat. 344.)

§ 1017 **Rules and regulations; appointment, employment, and compensation of officers, employees, and agents.**—The Land Bank Commissioner is authorized to make such rules and regulations, and to appoint, employ, and fix the compensation of such officers, employees, attorneys, and agents as may be necessary to carry out the purposes of this subchapter and to make the relief contemplated by this subchapter immediately available, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States: *Provided*, That no salary or compensation in excess of \$10,000 shall be paid to any person employed under the terms of the foregoing section. (May 12, 1933, c. 25, § 33, 48 Stat. 49; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 1018 **Facilities of Federal land banks and national farm loan associations available to Commissioner.**—The Federal land banks and the national farm loan associations are authorized, upon request of the Land Bank Commissioner, to make available to him their services and facilities to aid in administering the provisions of this subchapter. (May 12, 1933, c. 25, § 34, 48 Stat. 49; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 1019 **Penalties for false representation in obtaining loan.**—Any person who shall knowingly make any material false representation for the purpose of obtaining any loan under this subchapter of this title, or in assisting in obtaining any such loan, shall, upon conviction thereof, be fined not more than \$1,000, or imprisoned not more than six months, or both. (May 12, 1933, c. 25, § 35, 48 Stat. 49.)

SUBCHAPTER II-A.—FEDERAL FARM MORTGAGE CORPORATION

HISTORICAL NOTE

The provisions of this subchapter were contained in the Federal Farm Mortgage Corporation Act of January 31, 1934.

§ 1020 **Establishment of corporation; directors; bylaws; regulations; officers and employees.**—There is hereby established a corporation to be known as the “Federal Farm Mortgage Corporation”, in this subchapter referred to as the “corporation.” The principal office of the corporation shall be located in the District of Columbia and the manage-

ment of the corporation shall be vested in a board of directors consisting of the Secretary of the Treasury, or an officer of the Treasury designated by him, the Governor of the Farm Credit Administration, in this subchapter referred to as the "Governor", and the Land Bank Commissioner. The directors shall receive no additional compensation for their services as directors of the corporation, but may be allowed actual necessary traveling and subsistence expenses when engaged in the business of the corporation outside of the District of Columbia. The Governor shall be the chairman of the board of directors. The directors shall have power to adopt such bylaws, rules, regulations, and amendments thereto as they deem necessary for the conduct of the business of the corporation authorized under this subchapter. The directors shall have power, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States, to employ and fix the compensation and duties of such agents, officers, and employees of the corporation as may be necessary to carry out the powers and duties conferred upon the corporation by this subchapter, to require bonds of them and fix the penalties thereof and dismiss them at pleasure, and to prescribe the manner in which the obligations of the corporation shall be incurred and its expenses allowed and paid, but the rates of compensation of such agents, officers, and employees of the corporation shall not exceed the rates of compensation prescribed for comparable duties by chapter 13 of Title 5 [U.S. Code]. (Jan. 31, 1934, c. 7, § 1, 48 Stat. 344.)

§1020a **Period of succession; powers; free use of mails; use of Government facilities.**—The corporation shall have succession until dissolved by Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, and to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of its business; and shall have such other powers as may be necessary and incident to carrying out its powers and duties under this subchapter. The corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The corporation, with the consent of any board, commission, independent establishment, or executive department of the Government, may avail itself of the use of information, services,

facilities, officers, agents, and employees thereof, in carrying out the provisions of this subchapter. (Jan. 31, 1934, c. 7, § 2, 48 Stat. 344.)

§1020b Capital; amount; subscription by United States.—
The capital of the corporation shall be in the sum of \$200,000,000, which shall be subscribed by the Governor on behalf of the United States in such amounts and at such times as he deems necessary for the purposes of the corporation. For the purpose of such capital subscription, the funds and proceeds thereof made available to the Land Bank Commissioner under section 1016 of this chapter and the mortgages taken by the Commissioner and the credit instruments secured thereby are hereby transferred to the corporation. (Jan. 31, 1934, c. 7, § 3, 48 Stat. 344.)

§1020c Bonds; aggregate amount; guaranty by United States; purchase and sale of by United States; exchange of for consolidated farm loan bonds.—
With the approval of the Secretary of the Treasury, the corporation is authorized to issue and have outstanding at any one time bonds in an aggregate amount not exceeding \$2,000,000,000. Such bonds shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices, as may be prescribed by the corporation, with the approval of the Secretary of the Treasury. Such bonds shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof, and such bonds shall be lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In the event that the corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such bonds, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such bonds. The Secretary of the Treasury, in his discretion, is

authorized to purchase any bonds of the corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities hereafter issued under sections 747, 752-754, 757, 758, 760, 764-766, 769, 771, 773, 774 (2) and 801 of Title 31 [U.S. Code], and the purposes for which securities may be issued under such sections, are extended to include any purchases of the corporation's bonds hereunder. The Secretary of the Treasury may, at any time, sell any of the bonds of the corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the bonds of the corporation shall be treated as public debt transactions of the United States. Such bonds shall be fully and adequately secured by such assets of the corporation and in such manner as shall be prescribed by its board of directors. The corporation shall have power to purchase such bonds in the open market at any time and at any price. On such terms and conditions as may be agreed upon, the corporation may exchange such bonds, upon application of any Federal land bank for consolidated farm loan bonds of equal face value issued under subchapter I of this chapter, and may exchange such consolidated farm loan bonds held by it for bonds of the corporation of equal face value. (Jan. 31, 1934, c. 7, § 4(a), 48 Stat. 344.)

§1020d Purchase of consolidated farm loan bonds; loans to Federal land banks; investment in mortgages.—The corporation is further authorized to purchase from time to time, for cash, such consolidated farm loan bonds at such prices and upon such terms as may be approved by the board of directors of the corporation, to make loans to Federal land banks on the security of such consolidated bonds, and to invest its funds in mortgage loans made under section 1016 of this chapter. (Jan. 31, 1934, c. 7, § 4(b), 48 Stat. 344.)

§1020e Preparation of bonds.—In order to furnish bonds for delivery by the Federal Farm Mortgage Corporation, the Secretary of the Treasury is hereby authorized to prepare suitable bonds in such form, subject to the provisions of this subchapter, as the board of directors may approve, such bonds when prepared to be held in the Treasury subject to

delivery upon order of the corporation. The engraved plates, dies, bedpieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The corporation shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such bonds. (Jan. 31, 1934, c. 7, § 4(c), 48 Stat. 344.)

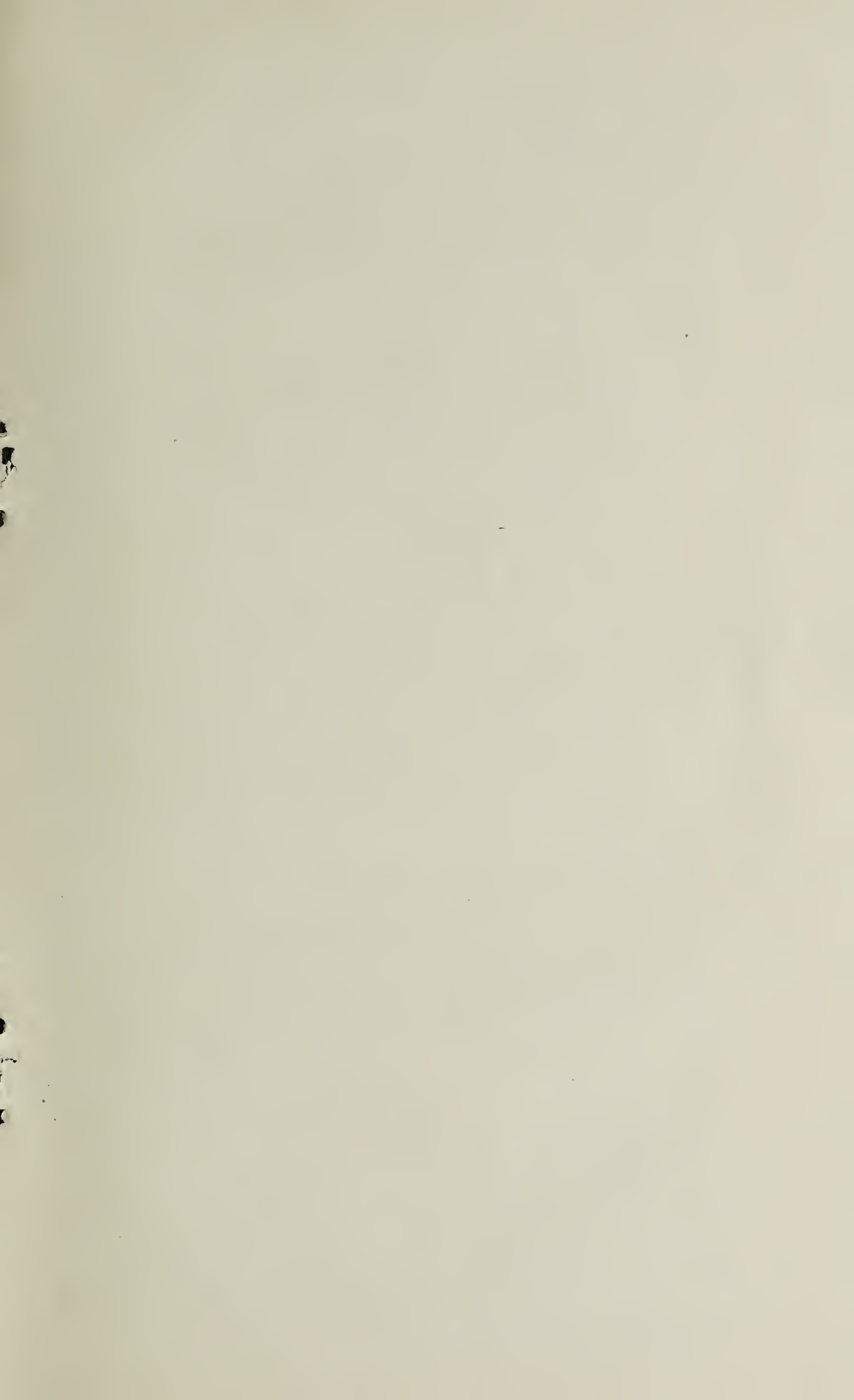
§1020f **Exemptions from taxation.**—(a) The corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(b) Mortgages executed to the Land Bank Commissioner and mortgages held by the corporation, and the credit instruments secured thereby, and bonds issued by the corporation under the provisions of this subchapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation (except estate, inheritance, and gift taxes). (Jan. 31, 1934, c. 7, § 12, 48 Stat. 344.)

§1020g **Severability clause; reservation of right to amend.**—(a) If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this Act is hereby expressly reserved. (Jan. 31, 1934, c. 7, § 17, 48 Stat. 344.)

§1020h **Short title.**—This Act may be cited as the “Federal Farm Mortgage Corporation Act.” (Jan. 31, 1934, c. 7, § 18, 48 Stat. 344.)



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NO. 20-A

1934

Feb.

FARM CREDIT ADMINISTRATION

Circular No. 20-A

LAWS

Pertaining to

**Agricultural Short Term and Intermediate Credit, as
Compiled in Chapter 7, Title 12 of the
United States Code**

As Amended to February 1, 1934

**Farm Credit Administration
Federal Intermediate Credit Banks
Production Credit Corporations
Production Credit Associations
Banks for Cooperatives
Miscellaneous**

**ISSUED BY THE
FARM CREDIT ADMINISTRATION
FEBRUARY 1934**



THE LIBRARY OF THE
MAY 22 1935
UNIVERSITY OF ILLINOIS

**UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1934**

EDITORIAL NOTE

This circular contains all general provisions, by acts of Congress and Executive Order, relating to the establishment and operation of the Farm Credit Administration.

This circular also contains all provisions of law relative to the organization and operation of the Federal intermediate credit banks, production credit corporations, production credit associations, and banks for cooperatives, together with certain miscellaneous provisions of law relative to short term and intermediate credit.

The provisions of the acts of Congress and of the Executive Order contained herein are set forth in accordance with the codification thereof in chapter 7 of Title 12 of the official Code of Laws of the United States of America in Force December 26, 1926, and supplements thereto. Through the courtesy of the editor in charge of the Code, it has been possible to include herein the provisions of an act of January 31, 1934, in the form which will be used in the supplement to Title 12 of the Code.

In the right margin of this circular, throughout Subchapter III, opposite each section which was incorporated in Title II of the Federal Farm Loan Act, either originally or by amendment to that title, is printed the number of the Federal Farm Loan Act section in which the provisions are contained.

The sections and subchapters into which this circular is divided are numbered to correspond with the same material in the 7th chapter of Title 12 of the Code. At the end of each section is a parenthetical reference to the act of Congress from which the provisions were derived, and to any subsequent amendatory acts. Wherever a section has been affected by the Executive Order which is set forth at the beginning of this circular, reference to the Order is made in the parenthetical statement at the end of the section.

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LAWS PERTAINING TO AGRICULTURAL SHORT-TERM AND INTERMEDIATE CREDIT

As amended to February 1, 1934

**As Compiled in Chapter 7 of Title 12 of the United
States Code**

**FARM CREDIT ADMINISTRATION
FEDERAL INTERMEDIATE CREDIT BANKS
PRODUCTION CREDIT CORPORATIONS
PRODUCTION CREDIT ASSOCIATIONS
BANKS FOR COOPERATIVES
MISCELLANEOUS**

FARM CREDIT ADMINISTRATION

INTRODUCTORY

EXECUTIVE ORDER No. 6084

**REORGANIZING AGRICULTURAL CREDIT AGENCIES
OF THE UNITED STATES**

Whereas sections 401 and 403 of Title IV of Part II of the Legislative Appropriation Act, fiscal year 1933, as amended by an act of Congress approved March 3, 1933, provide:

SEC. 401. The Congress hereby declares that a serious emergency exists by reason of the general economic depression; that it is imperative to reduce drastically governmental expenditures; and that such reduction may be accomplished in great measure by proceeding immediately under the provisions of this title.

Accordingly, the President shall investigate the present organization of all executive and administrative agencies of the Government and shall determine what changes therein are necessary to accomplish the following purposes:

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

(c) To group, coordinate, and consolidate executive and administrative agencies of the Govern-

ment, as nearly as may be, according to major purposes;

(d) To reduce the number of such agencies by consolidating those having similar functions under a single head, and by abolishing such agencies and/or such functions thereof as may not be necessary for the efficient conduct of the Government;

(e) To eliminate overlapping and duplication of effort; and

(f) To segregate regulatory agencies and functions from those of an administrative and executive character.

SEC. 403. Whenever the President, after investigation, shall find and declare that any regrouping, consolidation, transfer, or abolition of any executive agency or agencies and/or the functions thereof is necessary to accomplish any of the purposes set forth in section 401 of this title, he may by Executive order—

(a) Transfer the whole or any part of any executive agency and/or the functions thereof to the jurisdiction and control of any other executive agency;

(b) Consolidate the functions vested in any executive agency; or

(c) Abolish the whole or any part of any executive agency and/or the functions thereof; and

(d) Designate and fix the name and functions of any consolidated activity or executive agency and the title, powers, and duties of its executive head; except that the President shall not have authority under this title to abolish or transfer an executive department and/or all the functions thereof.

Now, therefore, pursuant to the authority so vested in me, and after investigation, it is found and declared that the following changes in executive agencies and the functions thereof are necessary to accomplish the purposes set forth in section 401 above recited, and it is hereby ordered that:

(1) The functions of the Secretary of Agriculture as a member of the Federal Farm Board, and the offices of the appointed members of the Federal Farm Board, except the office of the member designated as chairman thereof, are abolished.

(2) The name of the Federal Farm Board is changed to the Farm Credit Administration.

(3) The name of the office of Chairman of the Federal Farm Board is changed to Governor of the Farm Credit Administration, and he is vested with all the powers and duties of the Federal Farm Board.

(4) The functions of the Secretary of the Treasury as a member of the Federal Farm Loan Board, and the offices of the appointed members of the Federal Farm Loan Board, except the office of the member designated as farm loan commissioner, are abolished, and all the powers and functions of the Federal Farm Loan Board are transferred to and vested in the farm loan commissioner, subject to the jurisdiction and control of the Farm Credit Administration as herein provided.

(5) There are transferred to the jurisdiction and control of the Farm Credit Administration:

(a) The Federal Farm Loan Bureau and the functions thereof; together with the functions of the Federal Farm Loan Board, including the functions of the Farm Loan Commissioner;

(b) The functions of the Treasury Department and the Department of Agriculture, and the Secretaries thereof, under Executive authorizations to give aid to farmers, dated July 26, 1918, and any extensions or amendments thereof;

(c) The functions of the Secretary of Agriculture under all provisions of law relating to the making of advances or loans to farmers, fruit growers, producers and owners of livestock and crops, and to individuals for the purpose of assisting in forming or increasing the capital stock of agricultural-credit corporations, livestock-loan companies, or like organizations, except Public Resolution No. 74, Seventieth Congress, approved December 21, 1928, providing for the Puerto Rican Hurricane Relief Commission;

(d) The Crop Production Loan Office and the Seed Loan Office of the Department of Agriculture, and the functions thereof;

(e) The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional agricultural credit corporations formed under section 201 (e) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof.

(6) The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of

such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions.

(7) The records, property (including office equipment), and personnel used and employed in the execution of the functions hereinbefore transferred are transferred to the jurisdiction and control of the Farm Credit Administration.

(8) The sum of \$2,000,000 of the unexpended balances of appropriations made to the Federal Farm Board by Public Resolutions No. 43 and No. 51 of the Seventy-second Congress shall be impounded and returned to the Treasury, which sum shall be in addition to the other savings to be effected by the Farm Credit Administration as a result of this order.

(9) The unexpended balances of appropriations to the Secretary of Agriculture, the Federal Farm Loan Bureau, and the Federal Farm Board for salaries, expenses, and all other administrative expenditures in the execution of the functions herein vested in the Farm Credit Administration shall be transferred to and vested in the Farm Credit Administration as a single fund for its use for salaries, expenses, and all other administrative expenditures for the execution of any or all of such functions without restriction as to the particular functions for the execution of which the same were originally appropriated. All other appropriations, allotments, and other funds available for use in connection with the functions and executive agencies hereby transferred and consolidated are hereby transferred to and vested in the Farm Credit Administration, and shall be available for use by it, for the same purposes as if the Farm Credit Administration were named in the law or authority providing such appropriations, allotments, or other funds.

(10) All power, authority, and duties conferred by law upon any officer, executive agency, or head thereof, from which or from whom transfer is hereinbefore made, in relation to the executive agency or function transferred, are transferred to and vested in the Governor of the Farm Credit Administration.

(11) The Governor of the Farm Credit Administration is directed to dismiss, furlough, transfer, or make other appropriate disposition of such of the officers and employees under his jurisdiction and

control as are not required for the proper execution of the functions of the Farm Credit Administration.

(12) The Governor of the Farm Credit Administration is authorized to execute any and all functions and perform any and all duties vested in him through such persons as he shall by order designate or employ.

(13) The Governor of the Farm Credit Administration, by order or rules and regulations, may consolidate, regroup, and transfer offices, bureaus, activities, and functions in the Farm Credit Administration, so far as may be required to carry out the purposes to which this order is directed, and may fix or change the names of such offices, bureaus, and activities and the duties, powers, and titles of their executive heads.

This order shall take effect upon the sixty-first calendar day after its transmission to Congress unless otherwise determined in accordance with the provisions of section 407 of the act cited above, as amended.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
March 27, 1933.

GENERAL ADMINISTRATIVE PROVISIONS

§ 636 **Farm Credit Administration; provisions relating to organization.**—The Governor of the Farm Credit Administration is authorized, in carrying out the powers and duties now or hereafter vested in him or the Farm Credit Administration by law or under any Executive order made under title IV of part II of the Legislative Appropriation Act of 1933, as amended, to establish, and to fix the powers and duties of, such divisions, agencies, corporations, and instrumentalities as he may deem necessary to the efficient functioning of the Farm Credit Administration and the successful execution of the powers and duties so vested in the Governor and the Farm Credit Administration. This section shall not be construed to restrict the authority of the President under title IV of such Act, as amended: *Provided*, That no salary or compensation shall be paid to any officer, agent, or other person employed under this section in excess of \$10,000 per annum (May 12, 1933, c. 25, § 40, 48 Stat. 31).

§ 637 **Land Bank Commissioner; functions under Executive Orders.**—If and when any Executive Order heretofore transmitted to the Congress pursuant to title IV of part II of the Legislative Appropriation Act of 1933, as amended, shall become effective, all functions, powers, authority, and duties conferred upon or vested in the Land Bank Commissioner by the Emergency Farm Mortgage Act of 1933 [sections 723, 771 (*seventh*) and (*twelfth*), 823 (note), 963a, 991 (second paragraph), and 1016–1019 of this chapter] shall be held and exercised by him subject to all the terms and conditions in any such Executive order the same as if such functions, powers, authority, and duties were specifically named in such Executive order or orders (May 12, 1933, c. 25, § 39, 48 Stat. 31; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273).

§ 638 **Commissioners in Farm Credit Administration; designation; appointment; salaries and expenses—**
(a) **Land Bank Commissioner.**—After June 16, 1933, the office of Farm Loan Commissioner shall be known as the office of the Land Bank Commissioner and the Farm Loan Commissioner shall be known as the Land Bank Commissioner. The provisions of section 653 of this chapter, prescribing a term of office of eight years, shall not apply to incumbents hereafter appointed to the office of Land Bank Commissioner.

See Sections 652–655 of this chapter, for provisions relative to eligibility, appointment, salary, traveling expenses, etc., of Commissioner.

(b) **Production Credit Commissioner; Cooperative Bank Commissioner; Intermediate Credit Commissioner.**—There shall be in the Farm Credit Administration three commissioners who shall be known, respectively, as the Production Credit Commissioner, the Cooperative Bank Commissioner, and the Intermediate Credit Commissioner. Such commissioners shall be appointed by the President, by and with the advice and consent of the Senate. They shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. Such commissioners shall perform such duties as may be assigned to them by law or by the governor of the Farm Credit Administration (June 16, 1933, c. 98, § 80, 48 Stat. 273).

§ 639 **Governor of Farm Credit Administration; supplementary grant of powers.**—The authority and powers conferred upon the governor under the Farm Credit Act of 1933 [subchapters IV, V, and VI

of this chapter] shall not be construed to be in substitution for authority and powers conferred upon him under existing law but shall be construed to be supplementary to such authority and powers (June 16, 1933, c. 98, § 82, 48 Stat. 273).

§ 640 **Seal of Farm Credit Administration.**—The Farm Credit Administration shall have a seal, as adopted by the governor, which shall be judicially noticed (June 16, 1933, c. 98, § 85, 48 Stat. 273).

EDITORIAL NOTE.—Subchapters I, II, and II-A of Chapter 7 of Title 12 of the United States Code are not included in this circular, since [they pertain to farm mortgage loans. These subchapters are contained in Farm Credit Administration Circular No. 20.

SUBCHAPTER III—FEDERAL INTERMEDIATE CREDIT BANKS

HISTORICAL NOTE

The provisions of this subchapter relative to Federal intermediate credit banks constitute Title II of the “Federal Farm Loan Act” (July 17, 1916, chapter 245, Thirty-ninth Statutes, page 360). See section 641 of this chapter. This Act was amended on March 4, 1923 (chapter 252, Forty-second Statutes, page 1454), by the addition of a second title relative to Federal intermediate credit banks, the provisions of which, as amended, are included in this subchapter. The office of Intermediate Credit Commissioner was created by the Act of June 16, 1933. (See section 638, under “Introductory”, at the beginning of this chapter.)

ORGANIZATION

§ 1021 **Number, names, and charters of banks.**—The § 201 (a) Farm Credit Administration shall have power to grant charters for twelve institutions to be known and styled as “Federal intermediate credit banks” (July 17, 1916, c. 245, § 201 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1022 **Location; directors, officers, and employees.**— § 201 (b) Such institutions shall be established in the same cities as the twelve Federal Land Banks. The directors of the several Federal Land Banks shall be ex officio directors of the several Federal Intermediate Credit Banks hereby provided for and shall have power, subject to the approval of the Governor of the Farm Credit Administration, to em-

ploy and fix the compensation of such officers and employees of such Federal Intermediate Credit Banks as may be necessary to carry on the business authorized by this subchapter (July 17, 1916, c. 245, § 201 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; June 16, 1933, c. 98, § 76 (a), 48 Stat. 271).

§ 1023 **Corporate powers; suits by or against.**—Each § 201(c)
Federal intermediate credit bank shall have all the usual powers of corporations, and shall have power to sue and be sued both in law and equity, and for purposes of jurisdiction shall be deemed a citizen of the State where it is located (July 17, 1916, c. 245, § 201 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454).

§ 1024 **Fiscal agents for United States.**—Federal inter- § 201(d)
mediate credit banks, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and perform such duties as shall be prescribed by the Secretary of the Treasury (July 17, 1916, c. 245, § 201 (d); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454).

§ 1025 **Insolvency; receivership.**—Upon default of any § 201(e)
obligation any Federal intermediate credit bank may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961–966 of this chapter regarding national farm loan associations (July 17, 1916, c. 245, § 201 (e); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084).

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1026 **Application for charter.**—The charters to such § 201(f)
Federal intermediate credit banks shall be granted upon application of the directors of the Federal land banks, which application shall be in such form as the Farm Credit Administration shall prescribe (July 17, 1916, c. 245, § 201 (f); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084).

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

DISCOUNTS AND LOANS

§ 1031 **Lending powers; purchase and sale of debentures of intermediate credit banks; loans to cooperative associations.** § 202 (a)

—Federal intermediate credit banks, when chartered and established, shall have power, subject solely to such restrictions, limitations, and conditions as may be imposed by the Farm Credit Administration not inconsistent with the provisions of this subchapter—

(1) To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank, credit union, cooperative association of agricultural producers, organized under the laws of any State or of the Government of the United States, and/or any other Federal Intermediate Credit Bank, with its endorsement, any note, draft, bill of exchange, debenture, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of livestock; and to make loans or advances direct to any such organization, secured by such obligations; and to discount for, or purchase from, any Production Credit Association organized under subchapter IV of this chapter, or any production credit association in which a Production Credit Corporation organized under such subchapter holds stock, with its endorsement, any note, draft, bill of exchange, debenture, or other such obligation presented by such association, and to make loans and advances direct to any such association secured by such collateral as may be approved by the Governor of the Farm Credit Administration;

(2) To buy or sell, with or without recourse, debentures issued by any other Federal intermediate credit bank; and

(3) To make loans or advances direct to any cooperative association organized under the laws of any State and composed of persons engaged in producing, or producing and marketing, staple agricultural products, or livestock, if the notes or other such obligations representing such loans are secured by warehouse receipts, and/or shipping documents covering such products, and/or mortgages on livestock, and/or such other collateral as may be approved by the Governor of the Farm Credit Administration: *Provided*, That no such loan or advance, when secured only by warehouse receipts and/or shipping documents, and/or mortgages on livestock,

shall exceed 75 per centum of the market value of the products covered by said warehouse receipts and/or shipping documents, or of the livestock covered by said mortgages; and to accept drafts or bills of exchange issued or drawn by any such association when secured by warehouse receipts and/or shipping documents covering staple agricultural products as herein provided (July 17, 1916, c. 245, § 202 (a); Mar. 4, 1923 c. 252, § 2, 42 Stat. 1455; June 26, 1930, c. 616, § 1, 46 Stat. 816; May 19, 1932, c. 191, § 1, 47 Stat. 159; June 16, 1933, c. 98, § 76 (b), (c), 48 Stat. 271; Mar. 27, 1933, Ex. Or. 6084).

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1032 **Purchase or discount of paper from or for § 202 (b) national banks, State banks, trust companies, savings institutions, or corporations making loans for agricultural or livestock purposes; limitations upon amount.**—No paper shall be purchased from or discounted for any national bank, State bank, trust company, or savings institution under section 1031, if the amount of such paper added to the aggregate liabilities of such national bank, State bank, trust company, or savings institution, whether direct or contingent (other than bona fide deposit liabilities), exceeds the amount of such liability permitted under the laws of the jurisdiction creating the same; or exceeds twice the paid in and unimpaired capital and surplus of such national bank, State bank, trust company, or savings institution. No paper shall under section 1031 be purchased from or discounted for any other corporation engaged in making loans for agricultural purposes or for the raising, breeding, fattening, or marketing of livestock, if the amount of such paper added to the aggregate liabilities of such corporation exceeds the amount of such liabilities permitted under the laws of the jurisdiction creating the same; or exceeds ten times the paid in and unimpaired capital and surplus of such corporation. It shall be unlawful for any national bank which is indebted to any Federal intermediate credit bank upon paper discounted or purchased under section 1031, to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities, direct or contingent, will exceed the limitations herein contained (July 17, 1916, c. 245, § 202 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1455).

§ 1033 **Maturity and sale of loans, advances, or discounts.**—Loans, advances, or discounts made under section 1031 shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not more than three years. Any Federal intermediate credit bank may in its discretion sell loans or discounts made under section 1031, with or without its indorsement (July 17, 1916, c. 245, § 202 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; June 26, 1930, c. 616, § 2, 46 Stat. 816). § 202 (c)

§ 1034 **Interest rates or discount charges; rediscount of paper of other intermediate credit banks.**—Rates of interest or discount charged by the Federal intermediate credit banks upon such loans and discounts shall be subject to the approval of the Farm Credit Administration. On the majority vote of the members of the Federal Farm Loan Board any Federal intermediate credit bank shall be required to rediscount the discounted paper of any other Federal intermediate credit bank at rates of interest to be fixed by the Federal Farm Loan Board (July 17, 1916, c. 245, § 202 (d); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084). § 202 (d)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

The offices of the appointed members of the Federal Farm Loan Board were abolished by subdivision 4 of Executive Order No. 6084, set out at the beginning of this chapter, and the powers and duties of the Board transferred to the jurisdiction and control of the Farm Credit Administration by subdivision (5a) of said order.

ISSUE OF DEBENTURES

§ 1041 **Collateral trust debentures or similar obligations; security for; maturity; limitation respecting amount.**—Federal intermediate credit banks, when chartered and established, shall have power, subject to the approval of the Farm Credit Administration, to borrow money and to issue and to sell collateral trust debentures or other similar obligations with a maturity at the time of issue of not more than five years, which shall be secured by at least a like face amount of cash, or notes or other such obligations discounted or purchased or representing loans made under section 1031: *Provided*, That no Federal intermediate credit bank shall have power to issue or obligate itself for debentures or other obligations under the provisions of this section in excess of ten times the amount of the paid-up capital and surplus of such bank (July 17, 1916, c. 245, § 203 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084). § 203 (a)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1042 **Applicability of provisions of subchapter I; regulations governing collateral and handling thereof; interest rates.**—The provisions of subchapter I of this chapter relating to the preparation and issue of farm loan bonds shall, so far as applicable, govern the preparation and issue of debentures or other such obligations issued under the preceding section; but the Farm Credit Administration shall prescribe rules and regulations governing the receipt, custody, substitution, and release of collateral instruments securing such debentures or other obligations, the right of substitution being hereby granted. Rates of interest upon debentures and other such obligations issued under the preceding section shall, subject to the approval of the Farm Credit Administration, be fixed by the Federal intermediate credit bank making the issue, not exceeding 6 per centum per annum (July 17, 1916, c. 245, § 203 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084).

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1043 **Assumption of liability by Government prohibited; recital necessary to be included.**—The United States Government shall assume no liability, direct or indirect, for any debentures or other obligations issued under section 1041, and all such debentures and other obligations shall contain conspicuous and appropriate language, to be prescribed in form and substance by the Farm Credit Administration and approved by the Secretary of the Treasury, clearly indicating that no such liability is assumed (July 17, 1916, c. 245, § 203 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084).

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

DISCOUNT RATES

§ 1051 **Establishment and approval of; limitation on.**— § 204 (a)
Before making any discounts under the provisions of this chapter, each Federal intermediate credit bank shall establish and promulgate a rate of discount to be approved by the Farm Credit Administration. Any Federal intermediate credit bank which has made an issue of debentures under the provision of this chapter may thereafter establish, with the approval of the Farm Credit Administration, a rate of discount not exceeding by more than 1 per centum per annum the rate borne by its last preceding issue of debentures: *Provided*, That the

Farm Credit Administration may classify loans and debentures according to maturity, and if debentures of different classes sell at a different rate the Federal Intermediate Credit Banks may differentiate in rates on like classes of loans in the same ratio (July 17, 1916, c. 245, § 204(a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 4, 1925, c. 524, § 2, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084).

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1052 **Limitation on interest rate charged original borrower on paper discounted with bank.**—No organization entitled to the privileges of this subchapter, shall, without the approval of the Farm Credit Administration, be allowed to discount with any Federal intermediate credit bank any note or other obligation, upon which the original borrower has been charged a rate of interest exceeding by more than 1½ per centum per annum the discount rate of the Federal intermediate credit bank at the time such loan was made (July 17, 1916, c. 245, § 204(b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084).

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1053 **Purchase by bank of debentures issued by it.**— § 204 (c)
A Federal intermediate credit bank may, subject to the approval of the Farm Credit Administration, buy in the open market at or below par for its own account and retire at or before maturity any such debentures or obligations issued by it (July 17, 1916, c. 245, § 204 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084).

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

CAPITAL STOCK

§ 1061 **Amount, shares; subscriptions to by United States; assessments against other banks to restore capital impairment of one bank; subscriptions to capital and surplus by Governor of Farm Credit Administration.**—(a) For the purpose of exercising the powers conferred by this subchapter, each Federal intermediate credit bank shall have a subscribed capital stock of \$5,000,000, which amount may be increased from time to time with the approval of the Governor of the Farm Credit Administration. Capital stock of such amount shall be divided into shares of \$5 each and shall be subscribed, held, and paid by the Government of the United States. § 205

It shall be the duty of the Secretary of the Treasury to subscribe to such capital stock on behalf of the United States, such subscription to be subject to call in whole or in part by directors of the said banks upon thirty days' notice to the Secretary of the Treasury and with the approval of the Farm Credit Administration. The Secretary of the Treasury is authorized and directed to take out shares as called and to pay for the same out of any money in the Treasury not otherwise appropriated.

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(b) In the event that there shall be an impairment of the paid-in capital of any Federal intermediate credit bank, the Farm Credit Administration, at such time or times as it deems advisable, may determine and assess the amount thereof against the other Federal intermediate credit banks on such equitable basis of apportionment as it shall prescribe. Each bank against which such an assessment is made shall, out of its surplus and/or to an extent up to 50 per centum of its net earnings, in accordance with the terms of such assessment, pay the amount thereof as soon as possible to the bank having the impairment. In such event payments into the surplus fund and payments of the franchise tax prescribed by this chapter shall be determined on the basis of the net earnings remaining after providing for the payment of any such assessment.

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(c) With the approval of the Secretary of the Treasury, the Governor of the Farm Credit Administration is hereby authorized to subscribe from time to time to the capital stock and/or paid-in surplus of any Federal intermediate credit bank on behalf of the United States, in such amounts as he may determine are necessary for the purpose of meeting the credit needs of eligible borrowers from the bank, and the amount of the capital stock and paid-in surplus of such bank may be increased or decreased from time to time by the Governor, in accordance with such needs. Such stock shall be divided into shares of \$100 each and subscriptions to such paid-in surplus shall be made in multiples of \$100 out of the revolving fund created under subsection (e) of section 1131i of this chapter, as amended. The

Governor on behalf of the United States shall make payment for stock and paid-in surplus of such bank and such payment shall be subject to call in whole or in part by the board of directors of the bank, with the approval of the Governor (July 17, 1916, c. 245, § 205; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; May 19, 1932, c. 191, § 2, 47 Stat. 159; Mar. 27, 1933, Ex. Or. 6084; Jan. 31, 1934, c. 7, § 15, 48 Stat. 344).

APPLICATION OF EARNINGS

§ 1062 **Salaries and expenses of Federal Farm Loan Bureau; assessment against banks for proportionate share.**—The Farm Credit Administration shall equitably apportion the joint salaries and expenses incurred in behalf of Federal land banks, joint stock land banks, and Federal intermediate credit banks, and shall assess against each Federal intermediate credit bank its proportionate share of the salaries and expenses of the Federal Farm Loan Bureau made necessary in connection with the operation of this provision (July 17, 1916, c. 245, § 206 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; Mar. 4, 1925, c. 524, § 1, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084). § 206 (a)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For salaries and expenses to be included in assessments, see § 657, of this chapter. See also § 1094, below, for assessment of examination costs.

§ 1072 **Net earnings; surplus fund; franchise tax; disposition by United States of sums received from net earnings of banks and from surplus remaining after liquidation of banks.**—After all necessary expenses of a Federal intermediate credit bank have been paid or provided for, the net earnings shall be paid into a surplus fund until it shall amount to 100 per centum of the subscribed capital stock of such bank, and thereafter 50 per centum of such earnings shall be paid into the surplus. Whenever the surplus thus paid in shall have been impaired it shall be fully restored before payment of the franchise tax herein prescribed. After the aforesaid requirements of this section have been fully met and, except as otherwise provided in this subchapter, 50 per centum of the net earnings shall be paid to the United States as a franchise tax. The net earnings derived by the United States from Federal intermediate credit banks shall, in the discretion of the Secretary of the Treasury, be used to supplement the gold reserve § 206 (b)

held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal intermediate credit bank be dissolved or go into liquidation, after the payment of all debts and other obligations as hereinbefore provided, any surplus remaining shall be paid to and become the property of the United States and shall be similarly applied (July 17, 1916, c. 245, § 206 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; May 19, 1932, c. 191, § 3, 47 Stat. 159).

**LIABILITY ON DEBENTURES OR OTHER SUCH
OBLIGATIONS**

§ 1081

Liability of one bank for debentures issued by other banks; agreements by banks for transfer of funds for debenture payments.—Any Federal intermediate credit bank issuing debentures or other such obligations under this subchapter shall be primarily liable therefor, and shall also be liable, upon presentation of the coupons for interest payments due upon any such debentures or obligations issued by any other Federal intermediate credit bank and remaining unpaid in consequence of the default of the other Federal intermediate credit bank. Any Federal intermediate credit bank shall likewise be liable for such portion of the principal of debentures or obligations so issued as are not paid after the assets of such other Federal intermediate credit bank have been liquidated and distributed. Such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent Federal intermediate credit banks liable therefor in proportion to the amount of capital stock, surplus, and debentures or other such obligations which each may have outstanding at the time of such assessment. Every Federal intermediate credit bank shall, by appropriate action of its board of directors duly recorded in its minutes, obligate itself to become liable on debentures and other such obligations as provided in this section: *Provided*, That in view of the liability of all Federal intermediate credit banks for the debentures and other such obligations of each bank under this chapter, the banks shall, in accordance with rules, regulations, and orders of the Farm Credit Administration, enter into adequate agreements and arrangements among themselves by which funds shall be transferred

§ 207

and/or made available from time to time for the payment of all such debentures and other such obligations and the interest thereon when due in accordance with the terms thereof (July 17, 1916, c. 245, § 207; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; May 19, 1932, c. 191, § 4, 47 Stat. 159; Mar. 27, 1933, Ex. Or. 6084).

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

EXAMINATIONS AND REPORTS

§ 1091 **Reports of condition of banks and other lending institutions rediscounting with credit banks; examinations and audits of credit banks.**—In order to enable each Federal intermediate credit bank to carry out the purpose of this subchapter, the Comptroller of the Currency is hereby authorized and directed, upon the request of any Federal intermediate credit bank, (1) to furnish for the confidential use of such bank such reports, records, and other information, as he may have available, relating to the financial condition of national banks through or for which the Federal intermediate credit bank has made or contemplates making discounts, and (2) to make through his examiners, for the confidential use of the Federal intermediate credit bank, examinations of organizations through or for which the Federal intermediate credit bank has made or contemplates making discounts or loans: *Provided*, That no such examination shall be made without the consent of such organization except where such examination is required by law: *Provided*, That any organization, except State banks, trust companies and savings associations, shall, as a condition precedent to securing rediscount privileges with the Federal intermediate credit bank of its district, file with such bank its written consent to its examination as may be directed by the Farm Credit Administration by land bank examiners; and State banks, trust companies and savings associations may be in like manner required to file their written consent that reports of their examination by constituted authorities may be furnished by such authorities upon request to the Federal intermediate credit bank of their district. Each Federal intermediate credit bank shall be examined and audited at least once each year by the Farm Credit Administration, and the results of such examination and audit shall

be made public by the administration (July 17, 1916, c. 245, § 208 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084).

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1092

Submission and publication of reports of condition by banks.—Every Federal intermediate credit bank shall make to the Farm Credit Administration not less than three reports during each year as requested by the administration and according to the form which may be prescribed by the administration, verified by the oath or affirmation of the president, or secretary, or treasurer, of each Federal intermediate credit bank and attested by the signature of at least three of the directors. Each report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the Federal intermediate credit bank at the close of business on any past day specified by the Farm Credit Administration, within five days from the receipt of a request or requisition therefor from the administration, and in the same form in which it is made to the Farm Credit Administration shall be published in a newspaper published in the place where such Federal intermediate credit bank is established, or if there is no newspaper in the place, then in the one published nearest thereto, in the same county, at the expense of the bank; and such proof of publication shall be furnished as may be required by the Farm Credit Administration. The Farm Credit Administration shall also have power to call for special reports from any particular Federal intermediate credit bank whenever in its judgment the same are necessary for a full and complete knowledge of its condition (July 17, 1916, c. 245, § 208 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084).

§ 208 (b)

"Farm Credit Administration" and "administration" mentioned in the text substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1093

Investigations and reports by land bank appraisers and examiners for credit banks.—Land bank appraisers are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to investigate and make a written report upon the products covered by warehouse receipts or shipping

§ 208 (c)

documents, and the livestock covered by mortgages, which are security for notes or other such obligations representing any loan to any organization, under this subchapter. Land bank examiners are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to examine and make a written report upon the condition of any organization, except national banks, to which the Federal intermediate credit bank contemplates making any such loan (July 17, 1916, c. 245, § 208 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084).

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1094 **Cost of examinations; assessments against or-** § 208 (d)
ganizations investigated.—The Farm Credit Ad-
 ministration shall assess the cost of all examina-
 tions made by the examiners of the administra-
 tion under the provisions of this subchapter upon
 the bank, trust company, savings institution, or
 organization investigated, in accordance with the
 regulations to be prescribed by the administration.
 (July 17, 1916, c. 245, § 208(d); Mar. 4, 1923, c.
 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

RULES AND REGULATIONS

§ 1101 **Authority of Farm Credit Administration.**—The § 209
 Farm Credit Administration is authorized to make
 such rules and regulations, not inconsistent with
 law, as it deems necessary for the efficient execution
 of the provisions of this subchapter. (July 17,
 1916, c. 245, § 209; Mar. 4, 1923, c. 252, § 2, 42
 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

TAX EXEMPTION

§ 1111 **Capital and income; debentures instrumentali-** § 210
ties of Government.—The privileges of tax ex-
 emption accorded under section 931 of this chapter
 shall apply also to each Federal intermediate credit
 bank including its capital, reserve, or surplus, and
 the income derived therefrom, and the debentures
 issued under this subchapter shall be deemed and
 held to be instrumentalities of the Government and

shall enjoy the same tax exemptions as are accorded farm loan bonds in said section (July 17, 1916, c. 245, § 210; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459).

PENALTY PROVISIONS

§ 1121 **Offenses by officers, employees, or agents; embezzlement; misapplication of funds; unauthorized making, issuing, or assigning instruments; false entries.**—Any officer, director, agent, or employee of a Federal intermediate credit bank who embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or credits of such bank, or who, without authority from such bank, draws any order or bill of exchange, makes any acceptance, issues, puts forth, or assigns any note, debenture, bond, draft, bill of exchange, mortgage, judgment, or decree, or who makes any false entry in any book, report, or statement of such bank with intent in any case to injure or defraud such bank or any other company or person, or to deceive any officer of such bank or the Farm Credit Administration, or any agent or examiner appointed to examine the affairs of such bank; and every receiver of such bank who with like intent to defraud or injure, embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or assets of such bank, and every person who with like intent aids or abets any officer, director, agent, employee, or receiver in any violation of this section, shall be deemed guilty of a misdemeanor, and upon conviction thereof in any district court of the United States shall be fined not more than \$5,000, or shall be imprisoned for not more than five years, or both, at the discretion of the court. (July 17, 1916, c. 245, § 211 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084.) § 211 (a)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1122 **False statements to banks.**—Whoever makes any statement, knowing it to be false, for the purpose of obtaining for himself or for any other person, firm, corporation, or association any advance, or extension or renewal of an advance, or any release or substitution of security from such bank, or for the purpose of influencing in any other way the action of such bank, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both (July 17, 1916, c. 245, § 211 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1460). § 211 (b)

§ 1123 **Overvaluation of property offered as security for loan.**—Whoever willfully overvalues any property offered as security for any such advance shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both (July 17, 1916, c. 245, § 211 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1460). § 211 (c)

§ 1124 **Offenses by examiners.**—Any examiner appointed under this subchapter or subchapter I hereof who shall accept a loan or gratuity from any organization examined by him, or from any person connected with any such organization in any capacity, or who shall disclose the names of borrowers to other than the proper officers of such organization, without first having obtained express permission in writing from the Land Bank Commissioner or from the board of directors of such organization except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States or of either House thereof, or any committee of Congress or of either House duly authorized, shall be punished by a fine of not exceeding \$5,000 or by imprisonment of not exceeding one year, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as an examiner under the provisions of this subchapter and subchapter I hereof. No examiner while holding such office shall perform any other service for compensation for any bank or banking or loan association or for any person connected therewith in any capacity (July 17, 1916, c. 245, § 211 (d); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1460; June 16, 1933, c. 98, § 80 (a) 48 Stat. 273). § 211 (d)

§ 1125 **Offenses by officers, employees, or agents of banks; receiving fees or gifts.**—Whoever, being an officer, director, employee, agent, or attorney of a Federal intermediate credit bank, stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value, from any person, firm, or corporation for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation any loan from any such corporation or extension or renewal of loan or substitution of security, or the purchase or discount or acceptance of any paper, note, draft, check, or bill of exchange by any such corporation, shall be deemed guilty of a misdemeanor and shall upon conviction thereof be imprisoned for not more than one § 211 (e)

year and fined not more than \$5,000 or both (July 17, 1916, c. 245, § 211 (e); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1460).

§ 1126 **Forgery, counterfeiting, and like offenses relating to obligations of banks.**—Any person who shall falsely make, forge, or counterfeit, or cause or procure to be falsely made, forged, or counterfeited, or willingly aid or assist in falsely making, forging, or counterfeiting any debenture, coupon, or other obligation in imitation of or purporting to be in imitation of the debenture, coupon, or other obligation issued by any Federal intermediate credit bank, or any person who shall pass, utter, or publish or attempt to pass, utter, or publish any false, forged, or counterfeited debenture, coupon, or other obligation purporting to be issued by any such bank knowing the same to be falsely made, forged, or counterfeited, or any person who shall falsely alter or cause or procure to be falsely altered or shall willingly aid or assist in falsely altering any such debenture, coupon, or other obligation or who shall pass, utter, or publish as true any falsely altered or spurious debenture, coupon, or other obligation issued, or purporting to have been issued by any such bank, knowing the same to be falsely altered or spurious, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not to exceed five years, or both (July 17, 1916, c. 245, § 211 (f); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1460).

§ 1127 **False representations as to debentures or other obligations of banks.**—Any person who shall deceive, defraud, or impose upon or who shall attempt to deceive, defraud, or impose upon any person, partnership, corporation, or association by making any false pretense or representation concerning the character, issue, security, contents, conditions, or terms of any debenture, coupon, or other obligation issued under the terms of this subchapter, shall upon conviction be fined not exceeding \$500, or imprisoned not to exceed one year, or both (July 17, 1916, c. 245, § 211 (g); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1461.)

§ 1128 **Unlawful use of words “Federal intermediate credit bank.”**—All corporations not organized under the provisions of this subchapter are prohibited from using the words “Federal intermediate credit bank” as part of their corporate name, and any violation of this prohibition shall

subject the party charged therewith to a civil penalty of \$50 for each day during which the violation continues (July 17, 1916, c. 245, § 211 (h); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1461).

§ 1129	Charging of unauthorized fees or commissions by banks.—No Federal intermediate credit bank shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized (July 17, 1916, c. 245, § 212; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1461).	§ 212
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SUBCHAPTER IV.—PRODUCTION CREDIT CORPORATIONS AND PRODUCTION CREDIT ASSOCIATIONS¹

PRODUCTION CREDIT CORPORATIONS

§ 1131 **Establishment; number; location.**—The Governor of the Farm Credit Administration, hereinafter in this subchapter and subchapter VI referred to as the “governor”, is authorized and directed to organize and charter twelve corporations to be known as “Production Credit Corporations.” One such corporation shall be established in each city in which there is located a Federal land bank. The directors of the several Federal land banks shall be ex officio the directors of the respective Production Credit Corporations. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such corporations as may be necessary to carry out the powers and duties conferred upon such corporations under this subchapter and subchapter VI (June 16, 1933, c. 98, § 2, 48 Stat. 257).

Organization of Banks for Cooperatives, see § 1134.

§ 1131a **Charters and bylaws.** — The charters of the Production Credit Corporations shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the corporations (June 16, 1933, c. 98, § 3, 48 Stat. 257).

Charters of Banks for Cooperatives, see § 1134a.

¹ See also subchapter VI.

§ 1131b **Capital stock; amount; value of shares; amount and subscription for initial stock; payments for stock subscribed on behalf of United States.**—The capital stock of each Production Credit Corporation shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of the district to be served by such corporation, and such amount may be increased or decreased from time to time by the governor in accordance with such credit needs. Such capital stock shall be divided into shares of \$100 each. The initial capital stock of each such corporation shall be \$7,500,000, which shall be subscribed for by the governor and held by him on behalf of the United States. Payments on subscriptions to stock by the governor shall be subject to call in whole or in part by the board of directors of the corporation with the approval of the governor. The governor shall make such payments out of the revolving fund created in section 1131i of this chapter. The stock ownership of the United States in such corporation shall be evidenced by such means as the governor shall determine (June 16, 1933, c. 98, § 4, 48 Stat. 257).

§ 1131c **Purchase of stock in production credit associations; class of stock to be purchased and held; amount of stock; retirement of stock held by corporations; application of earnings on stock held by corporations—(a) Stock in associations organized under this subchapter.**—Each Production Credit Corporation shall have power to invest its funds in stock of production credit associations as provided in this section. Such corporation is authorized to subscribe and pay for class A stock in each Production Credit Association located in the district served by such corporation in amounts sufficient to maintain the amount of class A stock held by it and other holders of class A stock equal, as nearly as may be, to 20 per centum of the volume of loans made or to be made by such association, as estimated by the corporation, but at no time shall the amount of class A stock outstanding be less than \$5,000 except with the consent of the association. Notwithstanding the provisions of the preceding sentence, (1) the governor, under rules and regulations prescribed by him, may permit a Production Credit Corporation to maintain the class A holdings of stock by the corporation and other

§ 1131c investors at such amount, in excess of 20 per centum of such loans, as may be necessary, and (2) the corporation may at any time require the association to retire and cancel stock held by the corporation in such association, if, in the judgment of the corporation, the association has resources available therefor (June 16, 1933, c. 98, § 6 (a), 48 Stat. 259).

(b) Stock in associations not organized under this subchapter; restrictions and limitations.—

Under such rules and regulations as may be prescribed by the governor and subject to such restrictions and limitations as he may prescribe, each Production Credit Corporation is authorized to subscribe and pay for stock in production credit associations not organized under this subchapter if such associations are controlled by cooperative associations as defined in section 1141j (a) of subchapter VII of this chapter. Only stock which is preferred as to assets on liquidation and is entitled to participate in dividend distributions without discrimination may be subscribed for. The amount of the stock subscribed for by any Production Credit Corporation in any such association shall not at any one time exceed 75 per centum of the total paid-in capital of such association (June 16, 1933, c. 98, § 6 (b), 48 Stat. 259).

(c) Earnings on stock in associations; application of; establishment and investment of surplus.—

The amount of the excess of earnings on stock held by the corporation above amounts necessary to pay operating expenses and restore losses and impairment of capital, if any, of the corporation shall be devoted to the creation and maintenance of a surplus equal to at least 25 per centum of the paid-in capital of the corporation. The amount of the surplus shall be invested as the governor shall prescribe in direct obligations of the United States or in class A stock of production credit associations, or both (June 16, 1933, c. 98, § 6 (c), 48 Stat. 259).

(d) Application of excess earnings on stock in associations; retirement of stock in corporations held by Government.—

The amount of such excess of earnings not required in order to comply with the provisions of subsection (c) shall be paid into the revolving fund authorized in section 1131i. Stock held by the governor in the Pro-

duction Credit Corporation shall be retired upon such payment in an amount equal to the amount of such payment (June 16, 1933, c. 98, § 6 (d), 48 Stat. 259).

PRODUCTION CREDIT ASSOCIATIONS

§ 1131d **Organization; articles of association; charters; bylaws; powers of governor respecting associations.**—The governor is authorized and directed to organize and charter corporations to be known as “Production Credit Associations.” Such associations may be organized by ten or more farmers desiring to borrow money under the provisions of this section and sections 1131e to 1131h. Such individuals shall enter into articles of incorporation which shall specify in general terms the objects for which the association is formed and the powers to be exercised by it in carrying out the functions conferred upon it by this subchapter. Such articles shall be signed by the individuals uniting to form the association and a copy thereof shall be forwarded to the Production Credit Corporation of the district, and such copy shall be filed and preserved in its office. The governor may, for good cause shown, deny a charter to such individuals. Upon the approval of such articles by the governor, the association shall become as of the date of such approval a body corporate. The governor shall have power, under rules and regulations prescribed by him, or by prescribing the terms of the charter of the association, or both, to provide for the organization, management, and conduct of the business of the association; and the power of the governor shall extend to prescribing the amount of the stock of such association; fixing the territory within which its operations may be carried on; fixing the method of election and appointment of, and the amount and payment of the compensation of, directors, officers, and employees; fixing the maximum amount of individual loans which may be made; prescribing the conditions under which the stock may be retired; and providing for the consolidation of two or more such associations. The governor may, at any time, direct such changes in the charter of any such association as he finds necessary in accomplishing the purposes of this section and sections 1131e to 1131h. Bylaws of any such association may be adopted by the directors but shall not be valid unless approved by the governor (June 16, 1933, c. 98, § 20, 48 Stat. 259).

§ 1131e **Capital stock; value of shares; classes of stock; voting rights; limitation on transfer of class B stock; exchange of class B stock upon holder ceasing to be borrower; dividends; ownership of stock as entitling credit corporation to approve or remove officers of association.**—The stock of such associations shall be divided into shares of \$5 each; and there shall be two classes of such stock: (1) Class A stock which is to be held by Production Credit Corporations, and which may be purchased and held by investors, and (2) class B stock which may be purchased only by farmer borrowers from the association and individuals eligible to become borrowers. Class B stock only shall be entitled to voting rights but each holder of such stock shall be entitled to no more than one vote. No class B stock, or any interest therein or right to receive dividends thereon, shall be transferred by act of parties or operation of law except to another farmer borrower or an individual eligible to become a borrower, and then only with the approval of the directors of the association. Each holder of class B stock, within two years after he has ceased to be a borrower, shall exchange such class B stock at the fair book value (not to exceed par) thereof, as determined by the association, for class A stock. All stock shall share in dividend distributions without preference, but the directors of the association may, in their discretion, apply the amount of any dividend payable to a holder of class B stock to any indebtedness of such holder to the association. Class A stock shall be preferred as to assets of the association upon liquidation. During such time as any Production Credit Corporation is a holder of any stock of any such association, the appointment or election of directors, the secretary-treasurer, and the loan committee of such association shall be subject to the approval of the president of the Production Credit Corporation and during such time any such director, secretary-treasurer, or other officer may, at any time, be removed by the president of the Production Credit Corporation (June 16, 1933, c. 98, § 21, 48 Stat. 260).

§ 1131f **Application of earnings; losses in excess of reserve account; restoration of capital impairment; reserve account; guaranty fund; dividends.**—Each Production Credit Association shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses in excess of its reserve

for bad and doubtful debts; second, to the restoration of the amount of the impairment, if any, of capital; third, to the creation and maintenance of a reserve account for bad and doubtful debts, the amount of which account shall be prescribed by the Production Credit Corporation; and fourth, to the creation and maintenance of a guaranty fund equal to at least 25 per centum of the paid-in capital of the association. Any sums remaining may, with the approval of the Production Credit Corporation, be devoted to the payment of dividends but no rate of dividend in excess of 7 per centum per annum shall be paid. Sums in the guaranty fund herein provided for shall be invested subject to such rules and regulations as may be prescribed by the Production Credit Corporation (June 16, 1933, c. 98, § 22, 48 Stat. 261).

§ 1131g **Loans to farmers; terms and conditions.**—Each Production Credit Association shall, under such rules and regulations as may be prescribed by the Production Credit Corporation of the district with the approval of the governor, invest its funds and make loans to farmers for general agricultural purposes, but such part of its funds as is represented by the guaranty fund provided for in section 1131f shall not be devoted to making loans to farmers. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the Production Credit Corporation. No loan shall be made for a less amount than \$50, nor shall any one borrower be indebted to the association at any one time in an amount in excess of 20 per centum of the capital and guaranty fund of the association or, if the loan is secured by collateral approved by the Corporation, in an amount in excess of 50 per centum of the capital and guaranty fund, but loans may be made to any borrower in an amount in excess of 50 per centum of the capital and guaranty fund if the loan is approved by the Production Credit Commissioner of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 1131e (June 16, 1933, c. 98, § 23, 42 Stat. 261).

§ 1131h **Borrowing from and rediscounting paper with Federal intermediate credit banks; limitation on power to borrow from or rediscount paper with other institutions.**—Production Credit Associations doing business under this subchapter and subchapters V and VI of this chapter are authorized to borrow from, and rediscount paper with Federal Intermediate Credit Banks subject to the restrictions, limitations, and conditions applicable under subchapter III of this chapter, as amended. Except with the approval of the Governor, Production Credit Associations shall not have the power to borrow from or rediscount paper with any other bank or agency. (June 16, 1933, c. 98, § 24, 48 Stat. 261.)

REVOLVING FUND

§ 1131i **Revolving fund.**—(a) There is hereby created a revolving fund of not to exceed \$120,000,000, which shall be made up as follows:

(1) The Reconstruction Finance Corporation is authorized and directed to make available to the Governor of the Farm Credit Administration all unobligated balances of the following funds and all sums heretofore returned or released to the corporation from such funds:

(A) Any balances of funds for, and all collections on loans by, the Secretary of Agriculture pursuant to section 602 of Title 15;

(B) All collections on loans made or to be made pursuant to the Act of February 4, 1933 (Pub. No. 327, 72d Cong.);

(C) All balances of funds authorized and directed to be made available to the Secretary of Agriculture by such act and not used for loans pursuant thereto; and

(D) Any balances of the funds originally directed to be allocated and made available to the Secretary of Agriculture by such acts except as expended pursuant to subsection (e) of section 605(b) of Title 15.

(2) There are hereby made available to the Governor of the Farm Credit Administration all unobligated balances of appropriations and funds available thereunder to enable the Secretary of Agriculture to make advances or loans under the following Acts and resolutions, and all repayments of such advances and loans: March 3, 1921 (41 Stat. 1347), March 20, 1922 (42 Stat. 467), April 26, 1924 (43 Stat. 110), February 28, 1927 (44 Stat. 1251), February 25, 1929 (45 Stat. 1306), as amended May 17, 1929 (46 Stat. 3), March 3,

§ 1131i 1930 (46 Stat. 78, 79), December 20, 1930 (46 Stat. 1032), as amended February 14, 1931 (46 Stat. 1160), and February 23, 1931 (46 Stat. 1276), and Public Resolution Numbered 11, Seventy-second Congress, approved March 3, 1932, and the notes or other obligations evidencing such advances and loans and the security therefor are hereby transferred to the Governor of the Farm Credit Administration.

(3) There is hereby authorized to be appropriated the sum of \$40,000,000 out of any money in the Treasury not otherwise appropriated.

(b) There is hereby authorized to be appropriated the sum of \$2,000,000, which shall remain available until expended, for all necessary administrative expenses in connection with the establishment and supervision of the Production Credit Corporations and the Production Credit Associations.

(c) The authority of the Governor of the Farm Credit Administration to allocate and expend out of the funds covered by subsection (a) of this section such amounts as he shall deem necessary for salaries, expenses, and all other administrative expenditures in the execution of the functions for which such funds have hitherto been available shall not be deemed to be restricted by this section.

(d) The authority to make loans during the calendar year 1933 pursuant to the Act of February 4, 1933 (Public Numbered 327, Seventy-second Congress), as amended, out of funds made available by that Act shall not be deemed to be restricted by this section.

(e) The amount of all balances, collections, and appropriations allocated under subsection (a) to the revolving fund created thereunder, which is in excess of \$120,000,000, is hereby made available to the Governor of the Farm Credit Administration for the establishment of a revolving fund of not to exceed \$40,000,000. Out of such revolving fund, the Governor is authorized to allocate and, with the approval of the Secretary of the Treasury, to expend such amounts as he deems necessary for subscriptions to the capital stock and/or paid-in surplus of Federal intermediate credit banks. (June 16, 1933, c. 98, § 5, 48 Stat. 258; Jan. 31, 1934, c. 7, § 15, 48 Stat. 344.)

SUBCHAPTER V.—REGIONAL BANKS FOR COOPERATIVES AND CENTRAL BANK FOR COOPERATIVES ²**REGIONAL BANKS**

§ 1134 **Establishment; number; location.**—The Governor of the Farm Credit Administration, hereinafter in this subchapter and in subchapter VI referred to as the “governor”, is authorized and directed to organize and charter twelve banks to be known as “Banks for Cooperatives.” One such bank shall be established in each city in which there is located a Federal land bank. The directors of the several Federal land banks shall be ex officio the directors of the respective Banks for Cooperatives. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such banks as may be necessary to carry out the powers and duties conferred upon such banks under this subchapter and subchapter VI (June 16, 1933, c. 98, § 2, 48 Stat. 257).

Organization of Production Credit Corporations, see § 1131.

§ 1134a **Charters and bylaws.**—The charters of the Banks for Cooperatives shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the banks (June 16, 1933, c. 98, § 3, 48 Stat. 257).

Charters of Production Credit Corporations, see § 1131a.

§ 1134b **Capital stock; amount; value of shares; payments from revolving fund for stock purchased by Government.**—The capital stock of each Bank for Cooperatives established under section 1134 shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this subchapter, and such amount may be increased or decreased from time to time by the governor in accordance with such needs. Such stock shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this chapter, as amended, the governor, on behalf of the

² See also subchapter VI.

United States, shall make payments for stock in the banks and such payments shall be subject to call in whole or in part by the board of directors of the bank with the approval of the governor (June 16, 1933, c. 98, § 40, 48 Stat. 264).

§ 1134c **Lending power.**—The Banks for Cooperatives are authorized to make loans to cooperative associations for any of the purposes and subject to the conditions and limitations set forth in subchapter VII of this chapter, and subject to such terms and conditions as may be prescribed by the board of the bank with the approval of the governor (June 16, 1933, c. 98, § 41, 48 Stat. 264).

See also sec. 1134j.

§ 1134d **Ownership of stock in banks by borrowing associations; earnings and reserves of banks.**—The provisions of sections 1134k and 1134l of this chapter shall apply in the case of Banks for Cooperatives in the same manner and to the same extent as such provisions are applicable to the Central Bank for Cooperatives, except that powers conferred on the chairman of the board of the Central Bank shall be exercised by the boards of directors of the Banks for Cooperatives, subject to the approval of the governor (June 16, 1933, c. 98, § 42, 48 Stat. 264).

§ 1134e **Retirement of stock held by Government.**—The governor may at any time require any such bank to retire and cancel stock held by the governor in such bank, if, in the judgment of the governor, the bank has resources available therefor, and amounts received by the governor in any such case shall be credited to the revolving fund created under section 1141d of this chapter, as amended (June 16, 1933, c. 98, § 43, 48 Stat. 265).

CENTRAL BANK

§ 1134f **Establishment; location.**—The governor is authorized and directed to organize and charter a corporation to be known as the “Central Bank for Cooperatives” with its principal office in the District of Columbia and such other offices as in the opinion of the governor may be necessary (June 16, 1933, c. 98, § 30, 48 Stat. 261).

§ 1134g **Board of directors.**—(a) The board of directors of the Central Bank for Cooperatives shall consist of seven members, one of whom shall be the Cooperative Bank Commissioner of the Farm Credit Administration, who shall be chairman of the board of directors. The other six directors shall be appointed by the governor, of whom the successors of three first appointed shall be appointed from nominees selected by borrowers as provided in subsection (b). The terms of the directors first appointed shall be for one, two, and three years as designated by the governor at the time of appointment and their successors shall hold their offices during a term of three years, but a director appointed to fill a vacancy shall hold his office for the unexpired term of the director whose place he is selected to fill. Any appointed director may at any time be removed for cause by the governor. No compensation shall be paid any director as a director of the corporation but the corporation, subject to the approval of the governor, may allow directors a reasonable per diem and expenses.

(b) The successors of three of the directors first appointed shall be selected one each year by the governor from among individuals nominated by borrowers (except Banks for Cooperatives). The governor shall, not less than sixty days prior to the end of the term of any director whose successor is to be appointed from among nominees as herein provided, or as soon as practicable after a vacancy occurs in the office of such director other than by the expiration of his term, cause notice of the vacancy to be sent to each borrower eligible to vote for nominees. Each such borrower shall be eligible to cast one vote. The governor shall not count any ballot received after the expiration of thirty days after the sending of notice. From those (not exceeding three) receiving the highest number of votes, as shown by his count, the governor shall appoint the director (June 16, 1933, c. 98, § 31, 48 Stat. 262).

§ 1134h **Powers of board of directors; chairman of board.**—The chairman of the board of the corporation shall be the executive officer of the corporation and the powers of the board of directors shall be such powers as may be prescribed in the charter and bylaws (June 16, 1933, c. 98, § 32, 48 Stat. 262).

§ 1134i **Capital stock.**—The capital stock of the central bank shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this subchapter, and the governor may from time to time increase or decrease such amount, subject to the limitations contained in sections 1134k and 1134m in accordance with such needs. The stock of such bank shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this chapter, as amended, the governor, on behalf of the United States, shall subscribe for and make payments for stock in the Central Bank and such payments shall be subject to call in whole or in part by the chairman of the board of the Central Bank with the approval of the governor (June 16, 1933, c. 98, § 33, 48 Stat. 262).

§ 1134j **Lending power; prevention of duplication of effort on the part of Central Bank and Banks for Cooperatives.**—The Central Bank is authorized to make loans to cooperative associations, as defined in subchapter VII of this chapter, as amended, for any of the purposes and subject to the conditions and limitations set forth in such subchapter, as amended, and to make loans, by way of discount or otherwise and subject to such terms and conditions as may be prescribed by the chairman of the board of the Central Bank, to Banks for Cooperatives established under section 1134 of this subchapter.

The governor shall, by regulation or by prescribing the terms of the charters issued to the Central Bank for Cooperatives and the Banks for Cooperatives, or both, provide such limitations, as between the two types of banks, on the classes of borrowers to which loans may be made and the amount of the loans which may be made to individual borrowers, as will best insure the absence of duplication of effort by the two types of banks and will secure the greatest efficiency in extending the benefits of this subchapter to borrowers (June 16, 1933, c. 98, §§ 34, 38, 48 Stat. 262, 264).

§ 1134k **Ownership of stock by associations borrowing from bank; payment into bank's guaranty fund by associations not authorized to purchase stock.**—(a) Cooperative associations borrowing from the Central Bank shall be required to own, at the time the loan is made, an amount of stock of the bank equal

in fair book value (not to exceed par), as determined by the bank, to \$100 per \$2,000 or fraction thereof of the amount of the loan. Upon discharge of the loan the stock held by the borrowing association shall be retired and canceled and the association shall be paid therefor, or in case the stock subscription is included in the amount of the loan there shall be credited on the final payment of the loan, an amount equal to the amount paid for the stock or loaned to subscribe for the stock, as the case may be, minus the pro rata impairment, if any, of capital and guaranty fund of the Central Bank, as determined by the chairman of the board of the Central Bank.

(b) In any case in which a cooperative association applying for a loan is not authorized, under the law of the State in which it is organized, to subscribe for stock in the Central Bank, the bank shall, in lieu of stock subscription, require the borrowing association to pay into a guaranty fund, or the bank may retain out of the amount of the loan and credit to the guaranty fund, an amount equal to the amount which the borrowing association would have been required to own in stock if such association had been authorized to hold such stock. Upon discharge of its loan, the provisions of the last sentence of subsection (a) shall apply with respect to sums of such association in the guaranty fund in the same manner as if such sums were represented by stock (June 16, 1933, c. 98, § 35, 48 Stat. 263).

§ 11341 **Earnings and reserves; guaranty fund; surplus; dividends to stockholders and subscribers to guaranty fund; application of dividends on Government-owned stock.**—The Central Bank for Cooperatives shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses incurred; second, to the restoration of the amount of the impairment, if any, of capital and guaranty fund as determined by the chairman of the board; and at least 25 per centum of the remainder of such excess of earnings shall be applied to the creation and maintenance of a surplus equal to at least 25 per centum of the amount of the capital and guaranty fund. Any sums remaining may, with the approval of the chairman of the board, be devoted to the payment of dividends. Subscribers to the guaranty fund shall be entitled to dividends in the same amounts as subscribers to stock. No rate of dividend in excess of 7 per centum per annum

shall be paid. Dividends on stock held by the governor, when paid, shall be credited to the revolving fund created under section 1141d of this chapter, as amended (June 16, 1933, c. 98, § 36, 48 Stat. 263).

§ 1134m **Debentures; amount; security; preparation and issue; custody of collateral.**—The Central Bank is authorized to issue debentures, but the amount of debentures which may be outstanding may not exceed at any one time five times the paid-in capital and surplus of the bank. Such debentures shall be issued at such times and subject to such terms and conditions as the board of directors shall determine but shall bear such interest rates as may be fixed by the chairman of the board. Such debentures shall be secured by collateral which shall be at least equal in value to the amount of debentures outstanding and which shall consist of cash, direct obligations of the United States, or notes or other obligations discounted or purchased or representing loans made under section 1134j. The provisions of law applicable to the preparation and issue of Federal intermediate credit bank debentures shall, so far as applicable, govern the preparation and issue of debentures issued under this section. The governor shall appoint a custodian of such collateral who shall have power subject to such rules and regulations as the governor may prescribe to approve and accept substitutions of collateral (June 16, 1933, c. 98, § 37, 48 Stat. 263).

SUBCHAPTER VI.—PROVISIONS COMMON TO PRODUCTION CREDIT CORPORA- TIONS, PRODUCTION CREDIT ASSOCIA- TIONS, REGIONAL AND CENTRAL BANKS FOR COOPERATIVES

§ 1138 **General corporate powers.**—The Central Bank for Cooperatives, and the Production Credit Corporations, the Production Credit Associations, and the Banks for Cooperatives, organized under the two preceding subchapters, shall have succession, until dissolved in accordance with this subchapter or any other Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of their business, to prescribe fees and charges (which

in any case shall be subject to the rules and regulations prescribed by the governor) for loans and other services; and shall have such other powers necessary and incident to carrying out their powers and duties under this subchapter, or any other Act of Congress as may be provided by the governor in their charters or in any amendments thereto. Each such bank, association, or corporation shall, for the purposes of jurisdiction, be deemed a citizen of the State or District within which its principal office is located. No district court of the United States shall have jurisdiction of any action or suit by or against any Production Credit Corporation or Production Credit Association upon the ground that it was incorporated under this chapter or that the United States owns a majority of the stock in it, nor shall any district court of the United States within the land bank district served by such association or corporation have jurisdiction by removal or otherwise of any suit by or against any such association or corporation except in cases by or against the United States or by or against any officer of the United States and except in cases by or against any receiver of any such corporation or association appointed in accordance with section 1138e (June 16, 1933, c. 98, § 60, 48 Stat. 266).

§ 1138a Examinations; assessments against corporations for cost of examinations.—At least once each year and at such other times as the governor deems necessary, the Central Bank for Cooperatives, and each Production Credit Corporation, Production Credit Association, and Bank for Cooperatives, organized under this chapter, shall be examined by examiners designated by the governor. The governor shall assess the cost of such examinations against the bank, association, or corporation examined, which shall pay such costs to the governor. The amount so assessed and unpaid shall be a prior lien on all assets of the bank, association, or corporation examined except on assets pledged to secure loans (June 16, 1933, c. 98, § 61, 48 Stat. 267).

§ 1138b Fiscal agents of United States.—The Central Bank for Cooperatives, the Production Credit Corporations, Production Credit Associations, and Banks for Cooperatives, organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents

of the United States Government and when acting as such shall perform such duties as shall be prescribed by the Secretary of the Treasury (June 16, 1933, c. 98, § 62, 48 Stat. 267).

§ 1138c **Tax exemption; realty and tangible personalty as subject to taxation; termination of tax exemption after retirement of Government-owned stock.**—The Central Bank for Cooperatives, and the Production Credit Corporations, Production Credit Associations, and Banks for Cooperatives, organized under this chapter, and their obligations, shall be deemed to be instrumentalities of the United States, and as such, any and all notes, debentures, bonds, and other such obligations issued by such banks, associations, or corporations shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority. Such banks, associations, and corporations, their property, their franchises, capital, reserves, surplus, and other funds, and their income, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such banks, associations, and corporations shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. The exemption provided herein shall not apply with respect to any Production Credit Association or its property or income after the stock held in it by the Production Credit Corporation has been retired, or with respect to the Central Bank for Cooperatives, or any Production Credit Corporation or Bank for Cooperatives, or its property or income after the stock held in it by the United States has been retired (June 16, 1933, c. 98, § 63, 48 Stat. 263).

§ 1138d **Offenses and penalties—(a) False representation; overvaluation of property.**—Whoever makes any material representation knowing it to be false, or whoever willfully overvalues any property or security, for the purpose of influencing in any way the action of the Farm Credit Administration, any Federal intermediate bank, or the Federal Farm Mortgage Corporation, or any division, officer, or employee thereof, or of any corporation organized under subchapter IV or V of this chapter, or in which a Production Credit Corporation organized under this chapter holds stock, or of any regional agricultural credit corporation estab-

§ 1138d lished pursuant to subsection (e) of section 605b of Title 15, upon any application, advance, discount, purchase or repurchase agreement, or loan, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both (June 16, 1933, c. 98, § 64 (a), 48 Stat. 267; Jan. 31, 1934, c. 7, § 13, 48 Stat. 344).

(b) Forgery, counterfeiting, alteration, etc., of obligations of corporation or of Farm Credit Administration.—Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, coupon, or paper in imitation of or purporting to be a note, debenture, bond, or other obligation, coupon, or paper issued by the Farm Credit Administration, any Federal Intermediate Credit Bank, or the Federal Farm Mortgage Corporation, or by any corporation referred to in subsection (a) of this section; or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note, debenture, bond, or other obligation, coupon, or paper, purporting to have been issued by the Farm Credit Administration or by any such corporation, knowing the same to be false, forged, or counterfeited; or (3) falsely alters any note, debenture, bond, or other obligation, coupon, or paper issued or purporting to have been issued by the Farm Credit Administration or by any such corporation; or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, any of the same as true, knowing it to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both (June 16, 1933, c. 98, § 64 (b), 48 Stat. 267; Jan. 31, 1934, c. 7, § 13, 48 Stat. 344).

(c) Embezzlement, misapplication, etc., of anything of value belonging to corporation or to administration; false entries; unauthorized making, issuing, or assigning of instrument; personally benefiting from business of corporation.—Whoever being an employee, officer, or agent of the Farm Credit Administration, any Federal Intermediate Credit Bank, or the Federal Farm Mortgage Corporation, or connected in any capacity with any corporation referred to in subsection (a) of this section, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to the Farm Credit Administration, any Federal Inter-

§ 1138d mediate Credit Bank, or the Federal Farm Mortgage Corporation, or such corporation or pledged or otherwise intrusted to the same; or (2) with intent to defraud the United States, or any such corporation, or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Farm Credit Administration, any Federal Intermediate Credit Bank, or the Federal Farm Mortgage Corporation, or of any such corporation, makes any false entry in any book, report, or statement of or to the Farm Credit Administration, any Federal Intermediate Credit Bank, or the Federal Farm Mortgage Corporation, or any such corporation, or draws any order, or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, mortgage, judgment, or decree thereof; or (3) with intent to defraud the United States or any corporation referred to in subsection (a) of this section, participates or share in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other act of any such corporation, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both (June 16, 1933, c. 98, § 64 (c), 48 Stat. 267; Jan. 31, 1934, c. 7, § 13, 48 Stat. 344).

(d) Concealment, conversion, etc., of property mortgaged or pledged to, or held by corporation or administration.—Whoever knowingly, with intent to defraud the United States or any corporation referred to in subsection (a) of this section, shall conceal, remove, dispose of, or convert, to his own use or to that of another, any property mortgaged or pledged to, or held by, the Farm Credit Administration, any Federal Intermediate Credit Bank, or the Federal Farm Mortgage Corporation, or any such corporation, as security for any obligation, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both (June 16, 1933, c. 98, § 64 (d), 48 Stat. 267; Jan. 31, 1934, c. 7, § 13, 48 Stat. 344).

(e) Applicability of criminal code provisions to transactions of corporations and administration.—The provisions of sections 202 to 207, inclusive, of Title 18, insofar as applicable, are extended to apply to contracts or agreements made by the Farm Credit Administration, any Federal Intermediate Credit Bank, or the Federal Farm Mortgage Corporation, its divisions, officers, and employees, and by the corporations referred to in subsection (a) of this section, which, for the purposes hereof, shall be held to include advances, loans, discounts, and

§ 1138d purchase and repurchase agreements; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor (June 16, 1933, c. 98, § 64 (e), 48 Stat. 267; Jan. 31, 1934, c. 7, § 13, 48 Stat. 344).

(f) **Conspiracy.**—Whoever conspires with another to accomplish any of the acts made unlawful by the preceding provisions of this section, shall, on conviction thereof, be subject to the same fine or imprisonment, or both, as is applicable in the case of conviction for doing such unlawful act (June 16, 1933, c. 98, § 64 (f), 48 Stat. 267).

§ 1138e **Receivership; voluntary liquidation.**—Upon default of any obligation of any Production Credit Corporation, Production Credit Association, or regional Bank for Cooperatives, such bank, association, or corporation may be declared insolvent and placed in the hands of a receiver by the governor and proceedings shall thereupon be had in accordance with the provisions of law relating to the insolvency of national farm loan associations. Any such bank, association, or corporation may, with the consent of the governor, liquidate voluntarily, but only in accordance with such rules and regulations as the governor may prescribe (June 16, 1933, c. 98, § 65, 48 Stat. 269).

§ 1138f **Limitation on compensation payable to director, officer, or employee.**—No director, officer, or employee of the Central Bank for Cooperatives, or of any Production Credit Corporation, Production Credit Association, or Bank for Cooperatives shall be paid compensation at a rate in excess of \$10,000 per annum. No officer or employee of the Farm Credit Administration engaged in carrying out the provisions of this subchapter and subchapters IV and V of this chapter shall be paid compensation at a rate in excess of \$10,000 per annum (June 16, 1933, c. 98, § 66, 48 Stat. 269).

SUBCHAPTER VII.—AGRICULTURAL MARKETING ACT

HISTORICAL NOTE

This subchapter contains the Agricultural Marketing Act of June 15, 1929, as amended.

In view of the amendments to the Agricultural Marketing Act, and of the transfer of its administration to the Governor of the Farm Credit Administration by Executive Order No. 6084, set forth at the beginning of this chapter under "Introductory", the provisions of the Act as amended have been transferred to this chapter from Title 7.

From the provisions of subchapter V of this chapter, it will be noted that many of the functions defined in this sub-

chapter may now be exercised through regional banks for cooperatives and a central bank for cooperatives, rather than direct, in the manner originally provided for by the terms of this subchapter. The banks for cooperatives, under subchapter V, are to be established with capital stock purchased from the revolving fund created under section 1141d of this subchapter; and the loaning powers of the banks for cooperatives, under subchapter V, are similar to those originally created under this subchapter and not rescinded by amendments thereto.

The Agricultural Marketing Act was entitled "An Act to establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries."

§ 1141 **Declaration of policy; effective merchandising of agricultural commodities; speculation; cooperative marketing; surpluses; administration of subchapter.—**

(a) It is hereby declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products—

(1) by minimizing speculation.

(2) by preventing inefficient and wasteful methods of distribution.

(3) by encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies.

(4) by aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.

(b) There shall be considered as a surplus for the purposes of this subchapter any seasonal or year's total surplus, produced in the United States and either local or national in extent, that is in excess of the requirements for the orderly distribution of the agricultural commodity or is in excess of the domestic requirements for such commodity.

(c) The Farm Credit Administration shall execute the powers vested in it by this subchapter only in such manner as will, in the judgment of the ad-

ministration aid to the fullest practicable extent in carrying out the policy above declared (June 15, 1929, c. 24, § 1, 46 Stat. 11; Mar. 27, 1933, Ex. Or. 6084).

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Board" and "board", respectively, pursuant to the Executive Order cited threto, which is set out in full at the beginning of this chapter.

§ 1141a **Federal Farm Board.**—A Federal Farm Board is hereby created, which shall consist of eight members to be appointed by the President, by and with the advice and consent of the Senate, and of the Secretary of Agriculture, ex officio. In making the appointments the President shall give due consideration to having the major agricultural commodities produced in the United States fairly represented upon the board. The terms of office of the appointed members of the board first taking office after the date of the approval of this subchapter shall expire, as designated by the President at the time of nomination, two at the end of the first year, two at the end of the second year, one at the end of the third year, one at the end of the fourth year, one at the end of the fifth year, and one at the end of the sixth year after such date. A successor to an appointed member of the board shall have a term of office expiring six years from the date of the expiration of the term for which his predecessor was appointed, except that any person appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term. One of the appointed members shall be designated by the President as chairman of the board and shall be the principal executive officer thereof. The board shall select a vice chairman, who shall act as chairman in case of the absence or disability of the chairman. The board may function notwithstanding vacancies, and a majority of the appointed members in office shall constitute a quorum. Each appointed member shall be a citizen of the United States and shall not actively engage in any other business, vocation, or employment than that of serving as a member of the board; nor shall any appointed member during his term of office engage in the business (except such business as is necessary to the operation of his own farm or farms) of buying and selling, or otherwise be financially interested in, any agricultural commodity or product thereof. Each appointed member shall receive a salary of \$12,000

a year, together with necessary traveling and subsistence expenses, or per diem allowance in lieu thereof, within the limitations prescribed by law, while away from his official station upon official business (June 15, 1929, c. 24, § 2, 46 Stat. 11).

This section rendered obsolete, by Executive Order 6084, except insofar as it affects the qualifications, appointment, business engagements, salary, and expenses of the Governor of the Farm Credit Administration, formerly known as chairman of the Federal Farm Board. ;

§ 1141b **General powers of Farm Credit Administration.**—The Farm Credit Administration—

(1) Shall maintain its principal office in the District of Columbia, and such other offices in the United States as in its judgment are necessary.

(2) shall have an official seal which shall be judicially noticed.

(3) shall make an annual report to Congress upon the administration of this subchapter and any other matter relating to the better effectuation of the policy declared in section 1141, including recommendations for legislation.

(4) may make such regulations as are necessary to execute the functions vested in it by this subchapter.

(5) may appoint and fix the salaries of a secretary and such experts, and, in accordance with sections 661–674 of Title 5, as amended, and subject to the provisions of the civil service laws, such other officers and employees, as are necessary to execute such functions.

(6) may make such expenditures (including expenditures for rent and personal services at the seat of government and elsewhere, for law books, periodicals, and books of reference, and for printing and binding) as are necessary to execute such functions. Expenditures by the administration shall be allowed and paid upon the presentation of itemized vouchers therefor approved by the governor of the administration (June 15, 1929, c. 24, § 4 46 Stat. 13; Mar. 27, 1933, Ex. Or. 6084).

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Board” and “board,” respectively, and “governor” was substituted for “chairman” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141c **Special powers of administration.**—The administration is authorized and directed—

(1) to promote education in the principles and practices of cooperative marketing of agricultural commodities and food products thereof.

(2) to encourage the organization, improvement in methods, and development of effective cooperative associations.

(3) to keep advised from any available sources and make reports as to crop prices, experiences, prospects, supply, and demand, at home and abroad (June 15, 1929, c. 24, § 5, 46 Stat. 13; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 50 (a), 48 Stat. 265).

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141d **Revolving fund.**—There is hereby authorized to be appropriated the sum of \$500,000,000 which shall be made available by the Congress as soon as practicable after the approval of this subchapter and shall constitute a revolving fund to be administered by the administration as provided in this subchapter and subchapter V of this chapter (June 15, 1929, c. 24, § 6, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 33, 34, 40, 41, 48 Stat. 262, 264).

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For use of revolving fund in purchasing capital stock in regional and central banks for cooperatives, see sections 1170 and 1183 of subchapter V.

§ 1141e **Loans to cooperative associations.**—(a) Upon application by any cooperative association the administration is authorized to make loans to it from the revolving fund [provided for in section 1141d] to assist in—

(1) the effective merchandising of agricultural commodities and food products thereof and the financing of its operations;

(2) the construction or acquisition by purchase or lease, or refinancing the cost of such construction or acquisition, of physical marketing facilities for preparing, handling, storing, processing, or merchandising agricultural commodities or their food products;

(b) No loan shall be made to any cooperative association unless, in the judgment of the administration, the loan is in furtherance of the policy declared in section 1141 and the cooperative association applying for the loan has an organization and management, and business policies, of such character as to insure the reasonable safety of the loan and the furtherance of such policy.

(c) Loans for the construction or acquisition by purchase or lease of physical facilities, or for re-

financing the cost of such construction or acquisition [acquisition], shall be subject to the following conditions:

(1) No such loan shall be made in an amount in excess of 60 per centum of the value of the facilities.

(2) No loan for the purchase or lease of such facilities shall be made unless the Governor of the Farm Credit Administration finds that the purchase price or rent to be paid is reasonable.

(d) Loans for the construction or purchase of physical facilities, together with interest on the loans, shall be repaid upon an amortization plan over a period not in excess of twenty years (June 15, 1929, c. 24, § 7, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § § 50–53, 48 Stat. 265).

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Subsection (a) of this section originally contained a fourth paragraph, relating to loans for education in the advantages of cooperative marketing, which was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933.

Subsection (a) of this section originally contained a fifth paragraph, as follows: “(5) enabling the cooperative association applying for the loan to advance to its members a greater share of the market price of the commodity delivered to the association than is practicable under other credit facilities.”

This paragraph was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933, subject to the following provision of section 50 (b) of that Act:

“The repeal of section 1141e (a) (5) shall not be construed to prohibit the extension, renewal, or refinancing of any loan made thereunder and outstanding on the date of the enactment of this Act, but loans to extend, renew, or refinance any such loan shall bear interest rates as determined under section 1141f (a) of this chapter, as amended.”

See sections 1134c and 1134j of subchapter V for loans to cooperative associations by banks for cooperatives, established under the Farm Credit Act of June 16, 1933, and capitalized from the revolving fund provided for in § 1141d hereof.

§ 1141f Miscellaneous loan provisions.—(a) Loans to any cooperative association shall bear such rates of interest as the Governor of the Farm Credit Administration shall by regulation prescribe, but in no case shall the rate be less than 3 per centum per annum or more than 6 per centum per annum on the unpaid principal. In fixing such rates of interest, the governor shall fix such rates as he deems the needs of the lending agencies require and in the case of loans made for the purposes of section 1141e (a) (1) the rate shall, as nearly as practicable, conform to a rate 1 per centum per annum in excess of the Federal Intermediate Credit Bank discount rate at the time the loan is made, and in the case of loans made for the purposes of section 1141e (a) (2) the rate of interest shall, as nearly as practicable, conform to the prevailing rate on mortgage loans made to members of national farm loan associations at the time the loan is made.

(b) Payments of principal or interest upon any such loan or advance shall be covered into the revolving fund [provided for in section 1141d].

(c) Loans to any cooperative association or stabilization corporation shall be made upon the terms specified in this sub-chapter and upon such other terms not inconsistent therewith and upon such security as the administration deems necessary.

(d) No loan or insurance agreement shall be made by the administration if in its judgment the agreement is likely to increase unduly the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual marketing requirements (June 15, 1929, c. 24, § 8, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 54, 48 Stat. 264).

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.
See § 1141g and note thereto.

§ 1141g **Stabilization corporations.**—(a) The administration may, upon application of the advisory commodity committee for any commodity, recognize as a stabilization corporation for the commodity any corporation if—

(1) The administration finds that the marketing situation with respect to the agricultural commodity requires or may require the establishment of a stabilization corporation in order effectively to carry out the policy declared in section 1141; and

(2) The administration finds that the corporation is duly organized under the laws of a State or Territory; and

(3) The administration finds that all the outstanding voting stock or membership interests in the corporation are and may be owned only by cooperative associations handling the commodity; and

(4) The corporation agrees with the administration to adopt such bylaws as the administration may from time to time require, which bylaws, among other matters, shall permit cooperative associations not stockholders or members of the corporation to become stockholders or members therein upon equitable terms.

(b) Any stabilization corporation for an agricultural commodity (1) may act as a marketing agency for its stockholders or members in preparing, handling, storing, processing, and merchandising for their account any quantity of the agricultural commodity or its food products, and (2) for the purpose of controlling any surplus in the commodity in furtherance of the policy declared in section 1141, may prepare, purchase, handle, store, process, and merchandise, otherwise than for the

§ 1141g account of its stockholders or members, any quantity of the agricultural commodity or its food products whether or not such commodity or products are acquired from its stockholders or members.

(c) Upon request of the advisory committee for any commodity the administration is authorized to make loans from the revolving fund to the stabilization corporation for the commodity for working capital to enable the corporation to act as a marketing agency for its stockholders or members as hereinbefore provided. Not less than 75 per centum of all profits derived by a stabilization corporation each year from its operations as such a marketing agency shall be paid into a merchandising reserve fund to be established by the corporation. No such payment shall be required whenever the fund is in such amount as, in the judgment of the administration, constitutes a sufficient reserve for such operations of the corporation. Out of the remainder of such profits for the year the corporation shall repay any outstanding loan made under this subdivision and the accrued interest thereon, or if all such loans and accrued interest have been fully repaid, then it may distribute a patronage dividend to its stockholders or members. Such patronage dividend shall be paid to each stockholder or member on the basis of the total volume of the commodity or its products for the year marketed for his account through the corporation.

(d) Upon request of the advisory committee for any commodity the administration is authorized to make loans from the revolving fund to the stabilization corporation for the commodity to enable the corporation to control any surplus in the commodity as hereinbefore provided and for meeting carrying and handling charges and other operating expenses in connection therewith. The administration shall require a stabilization corporation to establish and maintain adequate reserves from its profits from its surplus control operations before it shall pay any dividends out of such profits. All losses of the corporation from such operations shall be paid from such reserves, or if such reserves are inadequate, then such losses shall be paid by the administration as a loan from the revolving fund. Any amounts so loaned for payment of losses shall be repaid into the revolving fund by the corporation from future profits from its surplus control operations. Any stabilization corporation receiving loans under this subdivision for surplus control operations shall exert every

reasonable effort to avoid losses and to secure profits, but shall not withhold any commodity from the domestic market if the prices have become unduly enhanced, resulting in distress to domestic consumers. Stockholders or members of the corporation shall not be subject to assessment for any losses incurred in surplus control operations of the corporation.

(e) A stabilization corporation shall keep such accounts, records, and memoranda, and make such reports with respect to its transactions, business methods, and financial condition, as the administration may from time to time prescribe; shall permit the administration to audit its accounts annually and at such other times as the administration deems advisable; and shall permit the administration, upon its own initiative or upon written request of any stockholder or member, to investigate the financial condition and business methods of the corporation.

(f) No loan shall be made to any stabilization corporation unless, in the judgment of the administration, the loan is in furtherance of the policy declared in section 1141 (June 15, 1929, c. 24, § 9, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084).

This section constituted § 9 of the Agricultural Marketing Act of June 15, 1929. The powers and duties originally vested in the Federal Farm Board by this section were vested in the Farm Credit Administration, by § 3 of Executive Order No. 6084, subject to the following provisions of § 6 of that Order:

"The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions."

The "Advisory Commodity Committees" to which reference is made in this section were provided for by § 3 of the Agricultural Marketing Act of June 15, 1929, which section was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933.

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141h **Avoidance of duplication; cooperation with other governmental establishments; obtaining information and data; cooperation with States, Territories, and agencies or subdivisions thereof; indicating research problems; transfer of offices, functions, etc.**—(a) The administration shall, in cooperation with any governmental establishment in the Executive branch of the Government, including any field service thereof at home or abroad, avail itself of the services and facilities thereof in order to avoid preventable expense or duplication of effort.

(b) The President may by Executive order direct any such governmental establishment to furnish

§ 1141h the administration such information and data as such governmental establishment may have pertaining to the functions of the administration [under this subchapter]; except that the President shall not direct that the administration be furnished with any information or data supplied by any person in confidence to any governmental establishment in pursuance of any provision of law or of any agreement with a governmental establishment.

(c) The administration may cooperate with any State or Territory, or department, agency, or political subdivision thereof, or with any person.

(d) The administration shall, through the governor, indicate to the appropriate bureau or division of the Department of Agriculture any special problem on which a research is needed to aid in carrying out the provisions of this subchapter.

(e) The President is authorized, by Executive order, to transfer to or retransfer from the jurisdiction and control of the administration the whole or any part of (1) any office, bureau, service, division, commission, or board in the Executive branch of the Government engaged in scientific or extension work, or the furnishing of services, with respect to the marketing of agricultural commodities, (2) its functions pertaining to such work or services, and (3) the records, property, including office equipment, personnel, and unexpended balances of appropriation, pertaining to such work or services (June 15, 1929, c. 24, § 13, 46 Stat. 17; Mar. 27, 1933, Ex. Or. 6084).

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141i **Examination of books and accounts; limitation on purpose of examination respecting expenditures from revolving fund.**—Vouchers approved by the Governor of the Farm Credit Administration for expenditures from the revolving fund [provided for in section 1141d] pursuant to any loan or advance or from insurance moneys pursuant to any insurance agreement, shall be final and conclusive upon all officers of the Government; except that all financial transactions of the administration shall, subject to the above limitations, be examined by the General Accounting Office at such times and in such manner as the Comptroller General of the United States may by regulation prescribe. Such examination, with respect to expenditures from the revolving fund pursuant to any loan or advance or from insurance moneys pursuant to any insurance agreement, shall be for the sole purpose of making a

report to the Congress and to the board of expenditures and of loan and insurance agreements in violation of law, together with such recommendations thereon as the Comptroller General deems advisable (June 15, 1929, c. 24, § 14, 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084).

Insurance agreements, to which reference is made in this section, were authorized to be made by § 11 of the Agricultural Marketing Act of June 15, 1929, which section was repealed by § 50 (a) of the Farm Credit Act of June 16, 1933. The provision, as originally contained in the Agricultural Marketing Act, authorized the Federal Farm Board, upon application of cooperative associations, to enter into agreements, subject to specified conditions for the insurance of the associations against loss through price decline in the agricultural commodity handled by the associations and produced by the members thereof.

"Governor of the Farm Credit Administration" and "administration" mentioned in the text were substituted for "chairman of the board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141j **Miscellaneous provisions—(a) "Cooperative association" defined.**—As used in this subchapter the term "cooperative association" means any association in which farmers act together in collectively processing, preparing for market, handling and/or marketing the farm products of persons so engaged and also means any association in which farmers act together in collectively purchasing, testing, grading, and/or processing their farm supplies: *Provided, however,* That such associations are operated for the mutual benefit of the members thereof as such producers or purchasers and conform to one or both of the following requirements:

First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; and

Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum.

And in any case to the following:

Third. That the association shall not deal in the products of or supplies for nonmembers to an amount greater in value than such as are handled by it for members. (June 15, 1929, c. 24, § 15 (a), 46 Stat. 18; June 16, 1933, c. 98, § 55, 48 Stat. 266; Mar. 27, 1933, Ex. Or. 6084.)

(b) Speculation prohibited.—It shall be unlawful for the governor, or any officer or employee of the Farm Credit Administration [engaged in the administration of this subchapter] to speculate, directly or indirectly, in any agricultural commodity or product thereof, or in contracts relating thereto, or in the stock or membership

§ 1141j interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any person violating this subdivision shall upon conviction thereof be fined not more than \$10,000, or imprisoned not more than 10 years, or both. (June 15, 1929, c. 24, § 15 (b), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

"The governor" and "Farm Credit Administration" mentioned in the text were substituted for "any member" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(c) Confidential information; disclosure prohibited.—It shall be unlawful (1) for any cooperative association, stabilization corporation, clearing house association, or commodity committee, or (2) for any director, officer, employee, or member or person acting on behalf of any such association, corporation, or committee, to which or to whom information has been imparted in confidence by the administration, to disclose such information in violation of any regulation of the administration. Any such association, corporation, or committee, or director, officer, employee, or member thereof, violating this subdivision, shall be fined not more than \$5,000, or imprisoned not more than 5 years, or both (June 15, 1929, c. 24, § 15 (c), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084).

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(d) Governmental publications; predictions as to cotton prices prohibited.—The inclusion in any governmental report, bulletin, or other such publication hereafter issued or published of any prediction with respect to cotton prices is hereby prohibited. Any officer or employee of the United States who authorizes or is responsible for the inclusion in any such report, bulletin, or other publication of any such prediction, or who knowingly causes the issuance or publication of any such report, bulletin, or other publication containing any such prediction, shall, upon conviction thereof, be fined not less than \$500 or more than \$5,000, or imprisoned for not more than 5 years, or both: *Provided*, That this subdivision shall not apply to the Governor of the Farm Credit Administration when engaged in the performance of his duties herein provided (June 15, 1929, c. 24, § 15 (d), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084).

"Governor of the Farm Credit Administration" mentioned in the text was substituted for "members of the board", pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141j (e) **Separability clause.**—If any provision of this subchapter is declared unconstitutional, or the applicability thereof to any person, circumstance, commodity, or class of transactions with respect to any commodity is held invalid, the validity of the remainder of the subchapter and the applicability of such provision to other persons, circumstances, commodities, and classes of transactions shall not be affected thereby (June 15, 1929, c. 24, § 15 (e), 46 Stat. 18).

(f) **Citation of subchapter.**—This subchapter may be cited as the “Agricultural Marketing Act” (June 15, 1929, c. 24, § 15 (f), 46 Stat. 18).

(g) **“Agricultural commodity”; definition.**—As used in this subchapter, the term “agricultural commodity” includes, in addition to other agricultural commodities, crude gum (oleoresin) from a living tree, and the following products as processed by the original producer of the crude gum (oleoresin) from which derived: Gum, spirits of turpentine and gum rosin, as defined in section 92 of Title 7 (June 15, 1929, c. 24, § 15 (g), 46 Stat. 18; Mar. 4, 1931, c. 520, § 3, 46 Stat. 1550).

SUBCHAPTER VIII.—REGIONAL AGRICULTURAL CREDIT CORPORATIONS

HISTORICAL NOTE

The Executive Order of March 27, 1933, set forth at the beginning of this chapter under “Introductory”, transferred to the jurisdiction and control of the Farm Credit Administration the functions defined in section 5 (e) of the Order, as follows: “The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional agricultural credit corporations formed under section 201 (e) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof.”

The section of the Emergency Relief and Construction Act of July 21, 1932, to which reference is made in the above quoted paragraph of the Executive Order, is contained in section 305 (e) of Title 15, and is also incorporated in this subchapter.

§ 1148 **Regional agricultural credit corporations; creation; capital; management; loans; rediscounts; supervision.**—The Reconstruction Finance Corporation is further authorized to create in any of the

twelve Federal land bank districts where it may deem the same to be desirable a regional agricultural credit corporation with a paid-up capital of not less than \$3,000,000, to be subscribed for by the Reconstruction Finance Corporation and paid for out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 602 of Title 15. Such corporations shall be managed by officers and agents to be appointed by the Farm Credit Administration under such rules and regulations as it may prescribe. Such corporations are hereby authorized and empowered to make loans or advances to farmers and stockmen, the proceeds of which are to be used for an agricultural purpose (including crop production), or for the raising, breeding, fattening, or marketing of livestock, to charge such rates of interest or discount thereon as in their judgment are fair and equitable, subject to the approval of the Farm Credit Administration, and to rediscount with the Reconstruction Finance Corporation and the various Federal reserve banks and Federal intermediate credit banks any paper that they acquire which is eligible for such purpose. All expenses incurred in connection with the operation of such corporations shall be supervised and paid by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe (July 21, 1932, c. 520, § 207, 47 Stat. 715; Mar. 27, 1933, Ex. Or. 6084).

"Farm Credit Administration" mentioned in the text was substituted for "Reconstruction Finance Corporation" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1148a Reduction of capital stock of regional agricultural credit corporation; revolving fund from stock proceeds.—The Reconstruction Finance Corporation is authorized, with the approval of the Governor of the Farm Credit Administration, to reduce the capital of any Regional Agricultural Credit Corporation by such action as may be suitable for the purpose. The funds made available by any such reduction shall constitute a revolving fund, all or any part of which shall be available for use from time to time by the Reconstruction Finance Corporation for the purpose of increasing, with the approval of the Governor of the Farm Credit Administration, the capital of any Regional Agricultural Credit Corporation (June 16, 1933, c. 98, § 84, 48 Stat. 273).

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FARM CREDIT ADMINISTRATION

Circular No. 20 (Revised)

LAWS
Pertaining to
FARM MORTGAGE LOANS

AS AMENDED TO NOVEMBER 1, 1936

The Federal Farm Loan Act and other acts of Congress
relating to farm mortgage loans, together with general provisions
of law relative to the Farm Credit Administration, as compiled
in chapter 7 of title 12 of the United States Code

Issued by the
FARM CREDIT ADMINISTRATION

NOVEMBER 1936



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1936

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EDITORIAL NOTE

This circular contains all general provisions, by acts of Congress and Executive Order, relating to the establishment and operation of the Farm Credit Administration.

This circular also contains all provisions of the Federal Farm Loan Act and amendments thereto relating to Federal land banks, joint stock land banks, and national farm loan associations; together with the provisions of the Emergency Farm Mortgage Act of 1933, as amended, relative to loans to farmers by the Land Bank Commissioner, and the provisions of the Federal Farm Mortgage Corporation Act, as amended.

The provisions of the acts of Congress and of the Executive Order contained herein are set forth in accordance with the codification thereof in chapter 7 of Title 12 of The Code of The Laws of the United States of America in Force January 3, 1935, and supplements thereto.

In the right margin of this circular, opposite each section which was incorporated in the Federal Farm Loan Act, either originally or by amendment thereto, is printed the number of the Federal Farm Loan Act section in which the provisions are contained. At the end of each section, is a parenthetical reference to the act of Congress from which the provisions were derived, to any subsequent amendatory acts, and, wherever a section has been affected by the Executive Order which is set forth at the beginning of this circular, to such Order.

The sections and subchapters into which this circular is divided are numbered to correspond with the same material in chapter 7 of Title 12 of the Code.

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LAWS PERTAINING TO FARM MORTGAGE LOANS

As Compiled in Chapter 7 of Title 12 of the United States Code

FARM CREDIT ADMINISTRATION

INTRODUCTORY

EXECUTIVE ORDER No. 6084

REORGANIZING AGRICULTURAL CREDIT AGENCIES OF THE UNITED STATES

Whereas sections 401 and 403 of Title IV of Part II of the Legislative Appropriation Act, fiscal year 1933, as amended by an act of Congress approved March 3, 1933, provide:

SEC. 401. The Congress hereby declares that a serious emergency exists by reason of the general economic depression; that it is imperative to reduce drastically governmental expenditures; and that such reduction may be accomplished in great measure by proceeding immediately under the provisions of this title.

Accordingly, the President shall investigate the present organization of all executive and administrative agencies of the Government and shall determine what changes therein are necessary to accomplish the following purposes:

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

(c) To group, coordinate, and consolidate executive and administrative agencies of the Government, as nearly as may be, according to major purposes;

(d) To reduce the number of such agencies by consolidating those having similar functions under a single head, and by abolishing such agencies and/or such functions thereof as may not be necessary for the efficient conduct of the Government;

(e) To eliminate overlapping and duplication of effort; and

(f) To segregate regulatory agencies and functions from those of an administrative and executive character.

SEC. 403. Whenever the President, after investigation, shall find and declare that any regrouping, consolidation, transfer, or abolition of any executive agency or agencies and/or the functions thereof is necessary to accomplish any of the purposes set forth in section 401 of this title, he may by Executive order—

(a) Transfer the whole or any part of any executive agency and/or the functions thereof to the jurisdiction and control of any other executive agency;

FARM MORTGAGE LOANS

(b) Consolidate the functions vested in any executive agency; or
(c) Abolish the whole or any part of any executive agency and/or the functions thereof; and

(d) Designate and fix the name and functions of any consolidated activity or executive agency and the title, powers, and duties of its executive head; except that the President shall not have authority under this title to abolish or transfer an executive department and/or all the functions thereof.

Now, therefore, pursuant to the authority so vested in me, and after investigation, it is found and declared that the following changes in executive agencies and the functions thereof are necessary to accomplish the purposes set forth in section 401 above recited, and it is hereby ordered that:

(1) The functions of the Secretary of Agriculture as a member of the Federal Farm Board, and the offices of the appointed members of the Federal Farm Board, except the office of the member designated as chairman thereof, are abolished.

(2) The name of the Federal Farm Board is changed to the Farm Credit Administration.

(3) The name of the office of Chairman of the Federal Farm Board is changed to Governor of the Farm Credit Administration, and he is vested with all the powers and duties of the Federal Farm Board.

(4) The functions of the Secretary of the Treasury as a member of the Federal Farm Loan Board, and the offices of the appointed members of the Federal Farm Loan Board, except the office of the member designated as farm loan commissioner, are abolished, and all the powers and functions of the Federal Farm Loan Board are transferred to and vested in the farm loan commissioner, subject to the jurisdiction and control of the Farm Credit Administration as herein provided.

(5) There are transferred to the jurisdiction and control of the Farm Credit Administration:

(a) The Federal Farm Loan Bureau and the functions thereof; together with the functions of the Federal Farm Loan Board, including the functions of the Farm Loan Commissioner;

(b) The functions of the Treasury Department and the Department of Agriculture, and the Secretaries thereof, under Executive authorizations to give aid to farmers, dated July 26, 1918, and any extensions or amendments thereof;

(c) The functions of the Secretary of Agriculture under all provisions of law relating to the making of advances or loans to farmers, fruit growers, producers and owners of livestock and crops, and to individuals for the purpose of assisting in forming or increasing the capital stock of agricultural-credit corporations, livestock-loan companies, or like organizations, except Public Resolution No. 74, Seventieth Congress, approved December 21, 1928, providing for the Puerto Rican Hurricane Relief Commission;

(d) The Crop Production Loan Office and the Seed Loan Office of the Department of Agriculture, and the functions thereof;

(e) The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and

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agents to manage regional agricultural credit corporations formed under section 201 (e) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof.

(6) The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions.

(7) The records, property (including office equipment), and personnel used and employed in the execution of the functions hereinbefore transferred are transferred to the jurisdiction and control of the Farm Credit Administration.

(8) The sum of \$2,000,000 of the unexpended balances of appropriations made to the Federal Farm Board by Public Resolutions No. 43 and No. 51 of the Seventy-second Congress shall be impounded and returned to the Treasury, which sum shall be in addition to the other savings to be effected by the Farm Credit Administration as a result of this order.

(9) The unexpended balances of appropriations to the Secretary of Agriculture, the Federal Farm Loan Bureau, and the Federal Farm Board for salaries, expenses, and all other administrative expenditures in the execution of the functions herein vested in the Farm Credit Administration shall be transferred to and vested in the Farm Credit Administration as a single fund for its use for salaries, expenses, and all other administrative expenditures for the execution of any or all of such functions without restriction as to the particular functions for the execution of which the same were originally appropriated. All other appropriations, allotments, and other funds available for use in connection with the functions and executive agencies hereby transferred and consolidated are hereby transferred to and vested in the Farm Credit Administration, and shall be available for use by it, for the same purposes, as if the Farm Credit Administration were named in the law or authority providing such appropriations, allotments, or other funds.

(10) All power, authority, and duties conferred by law upon any officer, executive agency, or head thereof, from which or from whom transfer is hereinbefore made, in relation to the executive agency or function transferred, are transferred to and vested in the Governor of the Farm Credit Administration.

(11) The Governor of the Farm Credit Administration is directed to dismiss, furlough, transfer, or make other appropriate disposition of such of the officers and employees under his jurisdiction and control as are not required for the proper execution of the functions of the Farm Credit Administration.

(12) The Governor of the Farm Credit Administration is authorized to execute any and all functions and perform any and all duties

vested in him through such persons as he shall by order designate or employ.

(13) The Governor of the Farm Credit Administration, by order or rules and regulations, may consolidate, regroup, and transfer offices, bureaus, activities, and functions in the Farm Credit Administration, so far as may be required to carry out the purposes to which this order is directed, and may fix or change the names of such offices, bureaus, and activities and the duties, powers, and titles of their executive heads.

This order shall take effect upon the sixty-first calendar day after its transmission to Congress unless otherwise determined in accordance with the provisions of section 407 of the act cited above, as amended.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,

March 27, 1933.

12 U. S. C.

GENERAL ADMINISTRATIVE PROVISIONS

§ 636

Farm Credit Administration; provisions relating to organization.—The Governor of the Farm Credit Administration is authorized, in carrying out the powers and duties now or hereafter vested in him or the Farm Credit Administration by law or under any Executive order made under title IV of part II of the Legislative Appropriation Act of 1933, as amended, to establish, and to fix the powers and duties of, such divisions, agencies, corporations, and instrumentalities as he may deem necessary to the efficient functioning of the Farm Credit Administration and the successful execution of the powers and duties so vested in the Governor and the Farm Credit Administration. This section shall not be construed to restrict the authority of the President under title IV of such Act, as amended: *Provided*, That no salary or compensation shall be paid to any officer, agent, or other person employed under this section in excess of \$10,000 per annum. (May 12, 1933, c. 25, § 40, 48 Stat. 51.)

§ 637

Land Bank Commissioner; functions under Executive Orders.—If and when any executive order heretofore transmitted to the Congress pursuant to title IV of part II of the Legislative Appropriation Act of 1933, as amended, shall become effective, all functions, powers, authority, and duties conferred upon or vested in the Land Bank Commissioner by the Emergency Farm Mortgage Act of 1933 [sections 723, 771 (*Seventh*) and (*Twelfth*), 823 (note), 963a, 991 (second paragraph), and 1016–1019 of this chapter] shall be held and exercised by him subject to all the terms

and conditions in any such Executive order the same as if such functions, powers, authority, and duties were specifically named in such Executive order or orders. (May 12, 1933, c. 25, § 39, 48 Stat. 50; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 638 **Commissioners in Farm Credit Administration; designation; appointment; salaries and expenses—(a) Land Bank Commissioner.**—After June 16, 1933, the office of Farm Loan Commissioner shall be known as the office of the Land Bank Commissioner and the Farm Loan Commissioner shall be known as the Land Bank Commissioner. The provisions of section 653 of this chapter, prescribing a term of office of eight years, shall not apply to incumbents appointed after June 16, 1933, to the office of Land Bank Commissioner.

(b) **Production Credit Commissioner; Cooperative Bank Commissioner; Intermediate Credit Commissioner.**—There shall be in the Farm Credit Administration three commissioners who shall be known, respectively, as the Production Credit Commissioner, the Cooperative Bank Commissioner, and the Intermediate Credit Commissioner. Such commissioners shall be appointed by the President, by and with the advice and consent of the Senate. They shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. Such commissioners shall perform such duties as may be assigned to them by law or by the governor of the Farm Credit Administration. (June 16, 1933, c. 98, § 80, 48 Stat. 273.)

See secs. 652–655 for provisions relative to eligibility, appointment, traveling expenses, etc., of Land Bank Commissioner.

§ 639 **Governor of Farm Credit Administration; supplementary grant of powers.**—The authority and powers conferred upon the governor under the Farm Credit Act of 1933 [subchapters IV, V and VI of this chapter] shall not be construed to be in substitution for authority and powers conferred upon him under existing law but shall be construed to be supplementary to such authority and powers. (June 16, 1933, c. 98, § 82, 48 Stat. 273.)

§ 640 **Seal of Farm Credit Administration.**—The Farm Credit Administration shall have a seal, as adopted by the governor, which shall be judicially noticed. (June 16, 1933, c. 98, § 85, 48 Stat. 273.)

SUBCHAPTER I.—FEDERAL LAND BANKS, JOINT STOCK LAND BANKS, AND NA- TIONAL FARM LOAN ASSOCIATIONS

§ 641 **Federal Farm Loan Act; administration.**— § 1
The act of July 17, 1916 (Chapter 245, 39 Statutes 360), as amended by act of March 4, 1923 (Chapter 252, 42 Statutes 1454), to include Federal intermediate credit banks may be cited as the “Federal Farm Loan Act.” Its administration shall be under the direction and control of the Farm Credit Administration, created pursuant to Executive Order. (July 17, 1916, c. 245, § 1, 39 Stat. 360; Mar. 4, 1923, c. 252, §§ 1, 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

Act of July 17, 1916, cited to the text, was entitled “An act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes.”

§ 642 **“First mortgage” and “farm loan bonds” de- § 2**
fin.—Wherever the term “first mortgage” is used in this subchapter it shall be held to include such classes of first liens on farm lands as shall be approved by the Farm Credit Administration, and the credit instruments secured thereby. The term “farm loan bonds” shall be held to include all bonds secured by collateral deposited with a farm loan registrar under the terms of this subchapter; they shall be distinguished by the addition of the words “Federal”, or “joint stock”, as the case may be. (July 17, 1916, c. 245, § 2, 39 Stat. 360; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

ADMINISTRATIVE PROVISIONS RELATIVE TO THIS SUBCHAPTER

§ 651 **Federal Farm Loan Bureau.**—There shall be at § 3
the seat of government a bureau charged with the execution of this subchapter and of subchapter III of this chapter and of all Acts amendatory thereof, to be known as the “Federal Farm Loan Bureau”, under the general supervision of the Farm Credit

Administration. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 652

Federal Farm Loan Board; number of members; appointment; salaries; expenses.—The Federal Farm Loan Board shall consist of seven members, including the Secretary of the Treasury, who shall be a member and chairman ex officio, and six members to be appointed by the President of the United States, by and with the advice and consent of the Senate. Of the six members to be appointed by the President, not more than three shall be appointed from one political party, and all six of said members shall be citizens of the United States and shall devote their entire time to the business of the Federal Farm Loan Board; they shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. One of the additional members of the Federal Farm Loan Board, hereby provided for, shall be appointed for a term expiring August 6, 1929, and one for a term expiring August 6, 1931, and thereafter the terms of all members of the Federal Farm Loan Board shall be as in section 653 of this subchapter otherwise provided for. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Mar. 4, 1923, c. 252, § 301, 42 Stat. 1473.)

§ 3

This section was rendered obsolete by Executive Order 6084, except insofar as it affects the qualifications, appointment, salary, etc., of the Land Bank Commissioner, previously known as Farm Loan Commissioner. See § 638 of this chapter.

§ 653

Terms of office; oath; Land Bank Commissioner.—One of the members of the Federal Farm Loan Board to be appointed by the President shall be designated by him to serve for two years, one for four years, one for six years, and one for eight years, and thereafter each member so appointed shall serve for a term of eight years, unless sooner removed for cause by the President. One of the members shall be designated by the President as the Land Bank Commissioner, who shall be the active executive officer of said board. Each member of the Federal Farm Loan Board shall within fifteen days after notice of his appointment take

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and subscribe to the oath of office. (July 17, 1916, c. 245, § 3, 39 Stat. 360; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

This section was rendered obsolete, by Executive Order 6084, except insofar as it affects the Land Bank Commissioner, previously known as Farm Loan Commissioner; it no longer applies to the term of office of the Commissioner. See § 638 of this chapter.

§ 654

Eligibility of members; restriction on right to engage in other business.—No member of the Federal Farm Loan Board shall, during his continuance in office, be an officer or director of any other institution, association, or partnership engaged in banking, or in the business of making land mortgage loans or selling land mortgages. Before entering upon his duties as a member of the Federal Farm Loan Board each member shall certify under oath to the President that he is eligible under this section. (July 17, 1916, c. 245, § 3, 39 Stat. 360.)

§ 3

This section was rendered obsolete by Executive Order 6084, except insofar as it affects the Land Bank Commissioner, previously known as Farm Loan Commissioner. See § 638 of this chapter.

§ 655

Filling vacancies on board.—The President shall have the power, by and with the advice and consent of the Senate, to fill any vacancy occurring in the membership of the Federal Farm Loan Board; if such vacancy shall be filled during the recess of the Senate a commission shall be granted which shall expire at the end of the next session. (July 17, 1916, c. 245, § 3, 39 Stat. 360.)

§ 3

This section was rendered obsolete by Executive Order 6084, except insofar as it affects the Land Bank Commissioner, previously known as Farm Loan Commissioner. See § 638 of this chapter.

§ 656

Registrars, appraisers, and examiners; appointment; restriction on right to engage in other business.—The Farm Credit Administration shall appoint a farm loan registrar in each land bank district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this chapter, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint one or more land bank appraisers for each land bank district and as many land bank examiners as it shall deem necessary. Farm loan registrars, deputy

§ 3

registrars, land bank appraisers, and land bank examiners appointed under this section shall be public officials and shall, during their continuance in office, have no connection with or interest in any other institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages: *Provided*, That this limitation shall not apply to persons employed by the administration temporarily to do special work. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Apr. 20, 1920, c. 154, § 1, 41 Stat. 570; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 657

Salaries and expenses; provision for pay-

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ment.—The amount of the salaries and expenses of the employees engaged in the work of the division of examinations of the Federal Farm Loan Bureau as estimated by the Farm Credit Administration shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks, as follows:

The Farm Credit Administration shall, prior to the first days of January and July of each year, estimate the expenses and salaries of the employees engaged as aforesaid, and apportion the same among the Federal land banks, joint stock land banks, and the Federal intermediate credit banks on such equitable basis as the Farm Credit Administration shall determine, giving due consideration to time and expense necessarily incident to the supervision of the operation of each type of bank, and making assessment on each of such banks pursuant to such apportionment, payable on the first days of January and July next ensuing. The funds collected pursuant to such assessments shall be deposited with the Treasurer of the United States under the miscellaneous receipts title "Assessments on Federal and joint stock land banks and Federal intermediate credit banks, salaries and expenses Farm Credit Administration," such expenses and salaries, together with all other expenses and salaries of the said administration, to be disbursed on appropriations duly made by the Congress.

If any deficiency shall occur in such fund during the half-year period for which it was estimated, the Farm Credit Administration shall have authority to make immediate assessment covering such deficiency against the Federal land banks, joint

stock land banks, and Federal intermediate credit banks upon the same basis as the original assessment. If at the end of the six months' period there shall remain a surplus in such fund, it shall be deducted from the estimated expenses of the next six months' period when assessment is made for such period. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, § 302, 42 Stat. 1473; Mar. 4, 1925, c. 524, § 3, 43 Stat. 1262; June 26, 1930, c. 613, 46 Stat. 815; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 658

Appraisers and inspectors; compensation; manner of payment.—Federal land bank appraisers, and appraisers or inspectors of Federal intermediate credit banks, shall receive such compensation as the Farm Credit Administration shall fix and shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks they serve, in such proportion and in such manner as the Farm Credit Administration shall order. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, § 302, 42 Stat. 1473; Mar. 4, 1925, c. 524, § 3, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

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§ 659

Attorneys, experts, and other employees; employment; salaries and fees.—The Farm Credit Administration shall be authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as it may deem necessary to conduct the business of said administration [incident to the administration of this subchapter and subchapter III of this chapter]. All salaries and fees authorized in sections 651–664 of this chapter and not otherwise provided for shall be fixed in advance by said administration and shall be paid in the same manner as the salary of the Land Bank Commissioner. All such attorneys, experts, assistants, clerks, laborers, and other employees, and all registrars, examiners, and appraisers shall be appointed without regard to the provisions of sections 632,

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635, 637, 638. and 640 to 642, of Title 5, Executive Departments and Government Officers and Employees (Act of Jan. 16, 1883, Twenty-second Statutes, page 403, and amendments thereto), or any rule or regulation made in pursuance thereof and may be classified without regard to sections 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, and 674 of Title 5 [U. S. Code], Executive Departments and Government Officers and Employees (Classification Act of 1923 and amendments thereto): *Provided*, That nothing herein shall prevent the President from placing said employees in the classified service. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1925, c. 524, § 4, 43 Stat. 1263; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 660	Statements of salaries paid by land banks.— Every Federal land bank shall semiannually submit to the Farm Credit Administration a schedule showing the salaries or rates of compensation paid to its officers and employees. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)	§ 3
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"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 661	Annual report.—The Farm Credit Administration shall annually make a full report of its operations [under this subchapter and subchapter III of this chapter] to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)	§ 3
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"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 662	Examinations and reports by land banks; appraisals of farm land; amortization tables.—The Farm Credit Administration shall from time to time require examinations and reports of condition of all land banks established under the provisions of this chapter and shall publish consolidated statements of the results thereof. It shall cause to be	§ 3
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made appraisals of farm lands as provided by this chapter, and shall prepare and publish amortization tables which shall be used by national farm loan associations and land banks organized under this chapter. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 663	Statements of condition of associations and land banks.—The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out quarterly by each such association or bank and transmitted to said administration. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)	§ 3
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"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 664	Bulletins and circulars.—It shall be the duty of the Farm Credit Administration to prepare from time to time bulletins setting forth the principal features of this subchapter and of subchapter III of this chapter and through the Department of Agriculture or otherwise to distribute the same, particularly to the press, to agricultural journals, and to farmers' organizations; to prepare and distribute in the same manner circulars setting forth the principles and advantages of amortized farm loans and the protection afforded debtors under said subchapters, instructing farmers how to organize and conduct farm loan associations, and advising investors of the merits and advantages of farm loan bonds; and to disseminate in its discretion information for the further instruction of farmers regarding the methods and principles of cooperative credit and organization. Said administration is instructed to lay before the Congress at each session its recommendations for further appropriations to carry out the objects of this section. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)	§ 3
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"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 665 **Rules and regulations.**—The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary or requisite for the efficient execution of the provisions of this subchapter and of subchapter III of this chapter, and/or any Act or Acts amendatory thereof or supplementary thereto. (Jan. 23, 1932, c. 9, § 6, 47 Stat. 14; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

ORGANIZATION OF FEDERAL LAND BANKS

§ 671 **Federal land bank districts.**—As soon as practicable the Farm Credit Administration shall divide the continental United States, excluding Alaska, into twelve districts, which shall be known as Federal land bank districts, and may be designated by number. Said districts shall be apportioned with due regard to the farm loan needs of the country, but no such district shall contain a fractional part of any State. The boundaries thereof may be readjusted from time to time in the discretion of said administration. (July 17, 1916, c. 245, § 4, 39 Stat. 362; March 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board”, respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 672 **Establishment; titles; branches; Puerto Rico and Alaska; Hawaii; loans by branches.**—The Farm Credit Administration shall establish in each Federal land bank district a Federal land bank, with its principal office located in such city within the district as said administration shall designate. Each Federal land bank shall include in its title the name of the city in which it is located. Subject to the approval of the Farm Credit Administration, any Federal land bank may establish branches within the land bank district. Subject to the approval of the Farm Credit Administration and under such conditions as it may prescribe, the provisions of this subchapter and of subchapter III of this chapter are extended to the island of Puerto Rico * and the Territory of Alaska; and the Farm

*For special provisions relative to foreclosures in Puerto Rico where the United States must be joined as a party defendant, and to subordinations of liens of the Puerto Rico Hurricane Relief Commission, see Aug. 27, 1935, c. 776, 49 Stat. 926; Aug. 27, 1935, c. 777, 49 Stat. 928.

Credit Administration shall designate a Federal land bank which is hereby authorized to establish a branch bank in Puerto Rico and a Federal land bank which is hereby authorized to establish a branch bank in the Territory of Alaska. The provisions of this subchapter and of subchapter III of this chapter and any Act amendatory thereof or supplementary thereto are extended to the Territory of Hawaii. The Farm Credit Administration shall include the territory in a Federal land bank district, and such Federal land bank as the administration may designate is authorized to establish branch banks in the Territory of Hawaii. Loans made by each such branch bank shall not exceed the sum of \$25,000 to any one borrower and shall be subject to the restrictions and provisions of this chapter, except that each such branch bank may loan direct to borrowers, and, subject to such regulations as the Farm Credit Administration may prescribe, the rate charged borrowers may be $1\frac{1}{2}$ per centum in excess of the rate borne by the last preceding issue of farm loan bonds of the Federal land bank with which such branch bank is connected: *Provided*, That no loan shall be made in Puerto Rico or Alaska by such branch bank for a longer term than twenty years.

Each borrower through such branch bank shall subscribe and pay for stock in the Federal land bank with which it is connected in the sum of \$5 for each \$100 or fraction thereof borrowed; such stock shall be held by such Federal land bank as collateral security for the loan of the borrower; shall participate in all dividends; and upon full payment of the loan shall be canceled at par and proceeds paid to borrower, or the borrower may apply the same to the final payments on his loan. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Feb. 27, 1921, c. 78, 41 Stat. 1148; Mar. 4, 1923, c. 252, § 303, 42 Stat. 1474; Mar. 10, 1924, c. 46, § 2, 43 Stat. 17; Mar. 4, 1929, c. 700, 45 Stat. 1558; May 17, 1932, c. 190, 47 Stat. 158; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 673

Temporary management.—Each Federal land bank shall be temporarily managed by five directors appointed by the Farm Credit Administration. Said directors shall be citizens of the United States and residents of the district. They shall each give a surety bond, the premium on which shall be paid

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from the funds of the bank. They shall receive such compensation as the Farm Credit Administration shall fix. They shall choose from their number, by majority vote, a president, a vice president, a secretary, and a treasurer. They are further authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as they may deem necessary, and to fix their compensation, subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 674 **Organization certificates; contents.**—Said temporary directors shall, under their hands, forthwith make an organization certificate, which shall specifically state:

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First. The name assumed by such bank.

Second. The district within which its operations are to be carried on, and the particular city in which its principal office is to be located.

Third. The amount of capital stock and the number of shares into which the same is to be divided: *Provided*, That every Federal land bank organized under this subchapter shall by its articles of association permit an increase of its capital stock from time to time for the purpose of providing for the issue of shares to national farm loan associations and stockholders who may secure loans through agents of Federal land banks in accordance with the provisions of this subchapter.

Fourth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this subchapter. The organization certificate shall be acknowledged before a judge or clerk of some court of record or notary public, and shall be, together with the acknowledgment thereof, authenticated by the seal of such court or notary, transmitted to the Land Bank Commissioner, who shall record and carefully preserve the same in his office, where it shall be at all times open to public inspection. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 675 **Changes in organization certificate.**—The Farm Credit Administration is authorized to direct such changes in or additions to any such organization

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certificate, not inconsistent with this subchapter, as it may deem necessary or expedient. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 676

Time of commencement of corporate existence; powers enumerated.—Upon duly making and filing such organization certificate the bank shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power—

First. To adopt and use a corporate seal.

Second. To have succession until it is dissolved by Act of Congress or under the provisions of this chapter.

Third. To make contracts.

Fourth. To sue and be sued, complain, interplead, and defend, in any court of law or equity, as fully as natural persons.

Fifth. To elect or appoint directors, and by its board of directors to elect a president and a vice president, appoint a secretary and a treasurer and other officers and employees, define their duties, require bonds of them, and fix the penalty thereof; by action of its board of directors dismiss such officers and employees, or any of them, at pleasure and appoint others to fill their places.

Sixth. To prescribe, by its board of directors, subject to the supervision and regulation of the Farm Credit Administration, bylaws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected, its officers elected or appointed, its property transferred, its general business conducted and the privileges granted to it by law exercised and enjoyed.

Seventh. To exercise, by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business herein described. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 4

§ 677 **Time of termination of temporary management.**—After the subscriptions to stock in any Federal land bank by national farm loan associations, hereinafter authorized, shall have reached the sum of \$100,000, the officers and directors of said land bank shall be chosen as herein provided and shall, upon becoming duly qualified, take over the management of said land bank from the temporary officers selected under section 673 of this title. (July 17, 1916, c. 245, § 4, 39 Stat. 363.) § 4

§ 678 **Directors; number and qualifications; local and district directors.**—The board of directors of every Federal land bank shall be selected as hereinafter specified and shall consist of seven members. Three of said directors shall be known as local directors of whom one shall be chosen by and be representative of national farm loan associations and borrowers through agencies, one shall be chosen by and be representative of Production Credit Associations organized under subchapter IV of this chapter, and one shall be chosen by and be representative of borrowers from regional Banks for Cooperatives organized under subchapter V of this chapter. Three of the seven directors shall be known as district directors and shall be appointed by the Governor of the Farm Credit Administration of whom two shall represent the public interest and one shall represent national farm loan associations and borrowers through agencies and such director shall be a borrower from a Federal land bank. The terms of office of local and district directors shall be three years. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1474; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 70a (a) (1), 48 Stat. 269.) § 4

§ 678a **Directors; successors.**—Sections 678, 679, and 680 of this chapter, respectively, and the second paragraph of section 681 of this chapter shall apply only to the appointment or election of the successors of directors of land banks whose regular terms expire after June 16, 1934. The successors of the first local director whose regular term so expires shall be elected by and be representative of Production Credit Associations and the successors of the second local director whose regular term so expires shall be elected by and be representative of borrowers from Banks for Cooperatives. The suc- § 4

cessors of the third local director whose regular term so expires shall be elected by and be representative of national farm loan associations and borrowers through agencies. (June 16, 1933, c. 98, § 70a (b), 48 Stat. 270.)

§ 679

Local directors; nomination of candidates.—

§ 4

At least two months before an election of a local director the Land Bank Commissioner shall cause notice in writing to be sent to those entitled to nominate candidates for such local director. In the case of an election of a director to represent national farm loan associations and borrowers through agencies, such notice shall be sent to all national farm loan associations and borrowers through agencies in the district; in the case of an election to represent Production Credit Associations, such notice shall be sent to all Production Credit Associations in the district; and in the case of a director to represent borrowers from Banks for Cooperatives, such notice shall be sent to all cooperatives which are borrowers at the time of sending notice. Within ten days of receipt of such notice those entitled to nominate the director shall forward nominations of residents of the district to the Land Bank Commissioner. The Land Bank Commissioner shall, from such nominations, then prepare a list of candidates for such local director consisting of the ten nominees receiving the highest number of votes. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1474; June 16, 1933, c. 98, § 70a (a) (2), 48 Stat. 270.)

§ 680

Local directors; election.—

§ 4

At least one month before the election of a local director the Land Bank Commissioner shall mail to each person or organization entitled to elect the local director the list of the ten candidates nominated in accordance with section 679 of this chapter. In the case of an election of a director to represent national farm loan associations and borrowers through agencies, the directors of each farm loan association shall cast the vote of such association for one of the candidates on the list. In voting under this section each such association shall be entitled to cast a number of votes equal to the number of stockholders of such association and each borrower through agencies shall be entitled to cast one vote. In vot-

ing under this section each Production Credit Association shall be entitled to cast a number of votes equal to the number of the class B stockholders of such associations. In voting under this section each cooperative which is a holder of stock in a Bank for Cooperatives (except the Governor of the Farm Credit Administration) shall be entitled to cast one vote. The votes shall be forwarded to the Land Bank Commissioner and no vote shall be counted unless forwarded to him within ten days after the list of candidates is received. In case of a tie the Land Bank Commissioner shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective voters, as counted, shall be tabulated and preserved and shall be subject to examination by any candidate for at least one year after the results of the election is announced. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1474; June 16, 1933, c. 98, § 70a(a)(3), 48 Stat. 270.)

§ 681

District directors; director at large; appointment and election; vacancies.—The Farm Credit Administration shall designate one of the district directors to serve until December 31, 1924, one to serve till December 31, 1925, and one to serve till December 31, 1926. After their first appointment each district director shall be appointed for a term of three years. At the first regular meeting of the board of directors of each Federal land bank the local directors shall designate one of their members to serve till December 31, 1924, one to serve till December 31, 1925, and one to serve till December 31, 1926. Thereafter each local director shall be chosen as hereinbefore provided and shall hold office for a term of three years. Any vacancies that may occur in the board of directors shall be filled for the unexpired term in the manner provided herein for the original selection of such directors.

§ 4

The Governor of the Farm Credit Administration shall select a director at large for the district who shall hold his office during a term of three years. Such seventh director may be removed by the Governor of the Farm Credit Administration at any time.

The board of directors thus selected shall, upon qualification, immediately take over the management of each bank. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1474;

Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 70a (a) (4), 48 Stat. 270.)

"Farm Credit Administration" mentioned in the first paragraph of the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 682 **Qualifications of directors; limitation on engagement in other business.**—Directors of Federal land banks shall have been, for at least two years, residents of the district for which they are appointed or elected, and a local director shall be a resident of his division when elected. No district director of a Federal land bank shall, during his continuance in office, act as an officer, director, or employee of any other institution, association, or partnership engaged in banking or in the business of making or selling land mortgage loans. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1474.) § 4

§ 682a **Disqualification on conviction of felony or court award of damages for fraud.**—On and after June 3, 1935 no person shall be eligible for appointment or election as an administrative or executive official or as a member of the board of directors of a Federal land bank, or shall continue to hold office as such member or as an ex-officio director of a Federal intermediate credit bank or of any corporation or bank organized pursuant to the Farm Credit Act of 1933 [Title 12, U. S. Code, §§ 1131–1138f], if such person has been finally adjudged guilty of a felony, or finally adjudged liable in damages in any civil proceeding for fraud, in any State or Federal court. (June 3, 1935, c. 164, § 23, 49 Stat. 320.)

§ 683 **Directors, officers, and employees; compensation and allowances.**—Directors of the Federal land bank shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their boards, to be paid by the respective Federal land banks. Not more than one director of a Federal land bank may serve the bank or the Farm Credit Administration as an officer or employee. Except with the approval of the Land Bank Commissioner, no director (other than the director who may be an officer or employee) shall receive com- § 4

pensation or allowances for any services rendered any Federal land bank in his capacity as director for more than thirty days in any one calendar year exclusive of the period for which compensation is paid for attendance at directors' meetings. Any compensation that may be provided by boards of directors of the Federal land banks for directors, officers, or employees shall be subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, § 304, 42 Stat. 1474; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 70, 80 (a), 48 Stat. 269, 273.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

CAPITAL STOCK OF FEDERAL LAND BANKS

§ 691 **Minimum amount of original capital; regulation of subscriptions.**—Every Federal land bank shall have, before beginning business, a subscribed capital of not less than \$750,000. The Farm Credit Administration is authorized to prescribe the times and conditions of the payment of subscriptions to [original] capital stock, to reject any subscription in its discretion, and to require subscribers to furnish adequate security for the payment thereof. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084.) § 5

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 692 **Shares; value; who may subscribe to original stock.**—The capital stock of each Federal land bank shall be divided into shares of \$5 each, and may be subscribed for and held by any individual, firm, or corporation, or by the Government of any State or of the United States. (July 17, 1916, c. 245, § 5, 39 Stat. 364.) § 5

The provision for subscriptions by any individual, firm, or corporation applies only to original stock. See § 695 of this chapter.

§ 693 **Transfer of stock held by national farm loan associations.**—Stock held by national farm loan associations shall not be transferred or hypothecated, and the certificates therefor shall so state. (July 17, 1916, c. 245, § 5, 39 Stat. 364.) § 5

§ 694

Dividends; voting stock.—Stock owned by the Government of the United States in Federal land banks shall receive no dividends, but all other stock shall share in dividend distributions without preference. Each national farm loan association and the Government of the United States shall be entitled to one vote for each share of stock held by it in deciding all questions at meetings of shareholders, and no other shareholder shall be permitted to vote. Stock owned by the United States shall be voted by the Land Bank Commissioner, as directed by the Farm Credit Administration. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 17, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 5

Stock issued to the United States under the provisions of § 698 is nonvoting. See that section. For voting privileges of borrowers through agencies in election of directors of Federal land banks, see §§ 678–680.

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 695

Subscriptions to original stock; subscriptions by United States for unsubscribed balance of original capital stock.—It shall be the duty of the Farm Credit Administration, as soon as practicable after July 17, 1916, to open books of subscription for the capital stock of a Federal land bank in each Federal land bank district. If within thirty days after the opening of said books any part of the minimum capitalization of \$750,000 herein prescribed for Federal land banks shall remain unsubscribed, it shall be the duty of the Secretary of the Treasury to subscribe the balance thereon on behalf of the United States, said subscription to be subject to call in whole or in part by the board of directors of said land bank upon thirty days' notice with the approval of the Farm Credit Administration; and the Secretary of the Treasury is hereby authorized and directed to take out shares corresponding to the unsubscribed balance as called, and to pay for the same out of any moneys in the Treasury not otherwise appropriated. Thereafter no stock shall be issued except as hereinafter provided. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084.)

§ 5

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 696

Retirement of original stock.—After the subscriptions to capital stock by national farm loan associations shall amount to \$750,000 in any Federal

§ 5

land bank, said bank shall apply semiannually to the payment and retirement of the shares of stock which were issued to represent the subscriptions to the original capital twenty-five per centum of all sums thereafter subscribed by national farm loan associations, by borrowers through agencies, and by borrowers through branch banks to capital stock until all such original capital stock is retired at par. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Jan. 23, 1932, c. 9, § 1, 47 Stat. 12.)

§ 697 **Proportion held in quick assets.**—At least § 5
twenty-five per centum of that part of the capital of any Federal land bank for which stock is outstanding in the name of national farm loan associations shall be held in quick assets, and may consist of cash in the vaults of said land bank, or in deposits in member banks of the Federal reserve system, or in readily marketable securities which are approved under rules and regulations of the Farm Credit Administration: *Provided*, That not less than five per centum of such capital shall be invested in United States Government bonds. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 698 **Subscriptions by United States; terms; amount; retirement.**—It shall be the duty of the Secretary of the Treasury on behalf of the United States, upon the request of the board of directors of any Federal land bank made with the approval of the Farm Credit Administration, to subscribe from time to time for capital stock of such bank in an amount or amounts specified in such approval or approvals, such subscriptions to be subject to call in whole or in part by the board of directors of said bank upon thirty days’ notice with the approval of the Farm Credit Administration. The Secretary of the Treasury is hereby authorized and directed to take out and pay for shares having an aggregate par value equal to the amounts so called; and to enable the Secretary of the Treasury to pay for stock issued hereunder there is hereby authorized to be appropriated the sum of \$125,000,000, such stock to be nonvoting. Shares of stock issued pursuant to this section shall be paid off at

par and retired in the same manner as the original capital stock of said bank after said original stock outstanding, if any, has been paid off and retired: *Provided, however,* That stock issued pursuant to this section may at any time, in the discretion of the directors and with the approval of the Farm Credit Administration, be paid off at par and retired in whole or in part; and that said Administration may at any time require such stock to be paid off at par and retired in whole or in part if in the opinion of the Administration the bank has resources available therefor. The proceeds of all repayments on account of stock issued pursuant to this section shall be held in the Treasury of the United States and shall be available for the purpose of paying for other stock thereafter issued pursuant to this section. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Jan. 23, 1932, c. 9, § 2, 47 Stat. 12; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

LAND BANKS AS GOVERNMENT DEPOSITARIES AND AGENTS

§ 701

Federal and joint stock land banks as Government depositaries and financial agents; surety bonds; investment of funds.—All Federal land banks and joint stock land banks organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. And the Secretary of the Treasury shall require of the Federal land banks and joint stock land banks thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safekeeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government. No Government funds deposited under the provisions of this section shall be invested in mortgage loans or farm loan bonds. (July 17, 1916, c. 245, § 6, 39 Stat. 365.)

§ 6

Special deposits for temporary use, see § 991 of this chapter.

NATIONAL FARM LOAN ASSOCIATIONS
GENERALLY

§ 711 **Organization; articles of association; signature; copies for land banks.**—Corporations, to be known as national farm loan associations, may be organized by persons desiring to borrow money on farm mortgage security under the terms of this subchapter. Such persons shall enter into articles of association which shall specify in general terms the object for which the association is formed and the territory within which its operations are to be carried on, and which may contain any other provision, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. Said articles shall be signed by the persons uniting to form the association, and a copy thereof shall be forwarded to the Federal land bank for the district, to be filed and preserved in its office. (July 17, 1916, c. 245, § 7, 39 Stat. 365.) § 7

§ 712 **Directors; officers; loan committee.**—Every national farm loan association shall elect, in the manner prescribed for the election of directors of national banking associations, a board of not less than five directors, who shall hold office for the same period as directors of national banking associations. It shall be the duty of said board of directors to choose in such manner as they may prefer a secretary-treasurer, who shall receive such compensation as said board of directors shall determine. The board of directors shall elect a president, a vice president, and a loan committee of three members. (July 17, 1916, c. 245, § 7, 39 Stat. 365.) § 7

The National Banking Act provides, with respect to the term of office of directors of national banking associations, that they "shall hold office for one year, and until their successors are elected and have qualified."

§ 713 **Compensation and qualifications of directors.**—The directors and all officers except the secretary-treasurer shall serve without compensation, unless the payment of salaries to them shall be approved by the Farm Credit Administration. All officers and directors except the secretary-treasurer shall, during their term of office, be bona fide residents of the territory within which the association is § 7

authorized to do business, and shall be shareholders of the association. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 714

Secretary-treasurer; powers and duties; bond; reports; misconduct in office.—It shall be the duty of the secretary-treasurer of every national farm loan association to act as custodian of its funds and to deposit the same in such bank as the board of directors may designate, to pay over to borrowers all sums received for their account from the Federal land bank upon first mortgage as in this chapter prescribed, and to meet all other obligations of the association, subject to the orders of the board of directors and in accordance with the bylaws of the association. It shall be the duty of the secretary-treasurer, acting under the direction of the national farm loan association, to collect, receipt for, and transmit to the Federal land bank payments of interest, amortization installments, or principal arising out of loans made through the association. He shall be the custodian of the securities, records, papers, certificates of stock, and all documents relating to or bearing upon the conduct of the affairs of the association. He shall furnish a suitable surety bond to be prescribed and approved by the Farm Credit Administration for the proper performance of the duties imposed upon him under this chapter, which shall cover prompt collection and transmission of funds. He shall make a quarterly report to the Farm Credit Administration upon forms to be provided for that purpose. Upon request from said administration said secretary-treasurer shall furnish information regarding the condition of the national farm loan association for which he is acting, and he shall carry out all duly authorized orders of said administration. He shall assure himself from time to time that the loans made through the national farm loan association of which he is an officer are applied to the purposes set forth in the application of the borrower as approved, and shall forthwith report to the land bank of the district any failure of any borrower to comply with the terms of his application or mortgage. He shall also ascertain and report to said bank the amount of any delinquent taxes on land mortgaged to said bank and the name of the delinquent. No such secretary-treasurer shall engage in the making

§ 7

of land mortgage loans eligible at a Federal land bank through or for any other land mortgage company or agency, and the making of any such loan by any secretary-treasurer shall forthwith work a forfeiture of his office. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1923, c. 252, § 305, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 715 **Expenses and salaries; payment from general funds; assessments.**—The reasonable expenses of the secretary-treasurer, the loan committee, and other officers and agents of national farm loan associations, and the salary of the secretary-treasurer, shall be paid from the general funds of the association, and the board of directors is authorized to set aside such sums as it shall deem requisite for that purpose and for other expenses of said association. When no such funds are available, the board of directors may levy an assessment on members in proportion to the amount of stock held by each, which may be repaid as soon as funds are available, or it may secure an advance from the Federal land bank of the district, to be repaid with interest at the rate of six per centum per annum, from dividends belonging to the said association. Said Federal land bank is hereby authorized to make such advance and to deduct such repayment. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

§ 7

§ 716 **Number of incorporators; organization; directors; secretary-treasurer.**—Ten or more persons who are the owners, or about to become the owners, of farm land qualified as security for a mortgage loan under section 771 of this chapter, may unite to form a national farm loan association. They shall organize subject to the requirements and the conditions specified in sections 711–723 and in sections 671–683 of this chapter, so far as the same may be applicable: *Provided*, That the board of directors may consist of five members only, and instead of a secretary and a treasurer there shall be a secretary-treasurer, who need not be a shareholder of the association. As used in this section, the term "person" includes an individual, an incorporated association, and a corporation which is eligible for a

§ 7

loan under section 771 of this chapter. (July 17, 1916, c. 245, § 7, 39 Stat. 365; June 3, 1935, c. 164, § 19 (a), (b), 49 Stat. 319.)

§ 717

Report and affidavit accompanying articles of association.—When the articles of association are forwarded to the Federal land bank of the district as provided in this subdivision, they shall be accompanied by the written report of the loan committee as required in section 751 of this chapter, and by an affidavit stating that each of the subscribers is the owner, or is about to become the owner, of farm land qualified under section 771 of this chapter as the basis of a mortgage loan; that the loan desired by each person is not more than \$10,000, nor less than \$100, and that the aggregate of the desired loans is not less than \$20,000; that said affidavit is accompanied by a subscription to stock in the Federal land bank equal to 5 per centum of the aggregate sum desired on mortgage loans; and that a temporary organization of said association has been formed by the election of a board of directors, a loan committee, and a secretary-treasurer who subscribes to said affidavit, giving his residence and post-office address. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

§ 7

See § 771 (Seventh), of this chapter, for maximum loan which may be made to any one borrower. The maximum limitation contained in the subsection last mentioned has twice been increased by amendments to the original provisions; and in the view of the Farm Credit Administration such amendments operated to increase the limitation stated in § 717.

§ 718

Investigation of solvency of applicants for incorporation.—Upon receipt of such articles of association, with the accompanying affidavit and stock subscription, the directors of said Federal land bank shall send an appraiser to investigate the solvency and character of the applicants and the value of their lands, and shall then determine whether in their judgment a charter should be granted to such association. They shall forward such articles of association and the accompanying affidavit to the Farm Credit Administration with their recommendation. If said recommendation is unfavorable, the charter shall be refused. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

§ 7

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 719 **Grant or refusal of charter.**—If said recommendation is favorable, the Farm Credit Administration shall thereupon grant a charter to the applicants therefor, designating the territory in which such association may make loans, and shall forward said charter to said applicants through said Federal land bank: *Provided*, That said Farm Credit Administration may for good cause shown in any case refuse to grant a charter. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.) § 7

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 720 **Authorization to receive funds to be loaned to members.**—Upon receipt of its charter such national farm loan association shall be authorized and empowered to receive from the Federal land bank of the district sums to be loaned to its members under the terms and conditions of this subchapter. (July 17, 1916, c. 245, § 7, 39 Stat. 365.) § 7

§ 721 **Securing loans for members; subscriptions to stock of land bank as collateral; retirement of stock.**—Whenever any national farm loan association shall desire to secure for any member a loan on first mortgage from the Federal land bank of its district it shall subscribe for capital stock of said land bank to the amount of 5 per centum of such loan, such subscription to be paid in cash upon the granting of the loan by said land bank. Such capital stock shall be held by said land bank as collateral security for the payment of said loan, but said association shall be paid any dividends accruing and payable on said capital stock while it is outstanding. Such stock may, in the discretion of the directors, and with the approval of the Farm Credit Administration, be paid off at par and retired, and it shall be so paid off and retired upon full payment of the mortgage loan. In such case the national farm loan association shall pay off at par and retire the corresponding shares of its stock which were issued when said land bank stock was issued. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.) § 7

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 722 **Federal land banks; limitation on reduction of capital stock.**—The capital stock of a Federal land bank shall not be reduced to an amount less than 5 per centum of the principal of the outstanding farm loan bonds issued by it. (July 17, 1916, c. 245, § 7, 39 Stat. 365.) § 7

§ 723 **Federal land banks; direct loans—(a) Authorization to make direct loans; provisions relative to loans through associations, applicable to direct loans.**—Whenever it shall appear to the Land Bank Commissioner that national farm loan associations have not been formed in any locality in the continental United States, or that the farmers residing in the territory covered by the charter of a national farm loan association are unable to apply to the Federal land bank of the district for loans on account of the inability of the bank to accept applications from such association, the Land Bank Commissioner shall authorize said bank to make direct loans to borrowers secured by first mortgages on farm lands situated within any such locality or territory. Except as herein otherwise specifically provided, all provisions of this chapter applicable with respect to loans made through national farm loan associations shall, insofar as practicable, apply with respect to such direct loans, and the Land Bank Commissioner is authorized to make such rules and regulations as he may deem necessary with respect to such direct loans. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 7

(b) **Interest rate.**—The rate of interest on such direct loans made at any time by any Federal land bank shall be one-half of 1 per centum per annum in excess of the rate of interest charged to borrowers on mortgage loans made at such time by the bank through national farm loan associations. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44.)

(c) **Subscription to stock; retirement of stock.**—Each borrower who obtains a direct loan from a Federal land bank shall subscribe and pay for stock in such bank in the sum of \$5 for each \$100 or fraction thereof borrowed. Such stock shall be held by such Federal land bank as collateral security for the loan of the borrower and shall participate in all dividends. Upon full payment of the

§ 723 loan such stock shall, if still outstanding, be canceled at par, or, in the event that such stock shall have become impaired, at the estimated value thereof as approved by the Land Bank Commissioner, and the proceeds thereof shall be paid to the borrower. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, §1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 7

(d) Organization of national farm loan association by direct borrowers.—Each such borrower may covenant in his mortgage that, whenever there are ten or more borrowers who have obtained from a Federal land bank direct loans under the provisions of this section aggregating not less than \$20,000, and who reside in a locality which may, in the opinion of the Land Bank Commissioner, be conveniently covered by the charter of and served by a national farm loan association, he will unite with such other borrowers to form a national farm loan association. Such borrowers shall organize the association subject to the requirements and the conditions specified in sections 711–722, so far as the same may be applicable, and in accordance with rules and regulations of the Land Bank Commissioner. As soon as the organization of the association has been approved by the Land Bank Commissioner, the stock in the Federal land bank held by each of the members of such association shall be canceled at par, and in lieu thereof the bank shall issue in the name of the association an equal amount of stock in said bank, which stock shall be held by said bank as collateral security as provided in this section with respect to other loans through national farm loan associations. Thereupon there shall be issued to each such member an amount of capital stock in the association equal to the amount which he previously held in said bank, which stock shall be held by said association as collateral security as provided in section 733 of this chapter. The board of directors of said association shall adopt a resolution authorizing and directing its secretary-treasurer on behalf of said association to endorse, and thereby become liable for the payment of, the mortgages taken from its charter members by the Federal land bank. When it shall appear to the satisfaction of the Land Bank Commissioner that all the foregoing conditions have been complied with, and upon the granting of the charter by the Land Bank Commissioner, the interest rate paid by each charter member of such

§ 723 association whose loan is in good standing shall, § 7
beginning with his next regular installment date,
be reduced to the rate of interest paid by borrowers
on new loans made through national farm loan
associations in the same Federal land bank district
at the time the said loan was made to such charter
member. (July 17, 1916, c. 245, § 7, 39 Stat. 365;
Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12,
1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98,
§ 80 (a), 48 Stat. 273.)

(e) **Charges to applicants and borrowers.**—
Charges to be paid by applicants for direct loans
from a Federal land bank shall not exceed amounts
to be fixed by the Land Bank Commissioner and
shall in no case exceed the charges which may be
made to applicants for loans and borrowers through
national farm loan associations under the provi-
sions of sections 761 and 781 of this chapter. (July
17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933,
c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26,
48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat.
273.)

(f) **Option to make loan in bonds.**—Direct
loans made under subsections (a) to (e) hereof,
may, at the option of the Federal land bank, be
made in bonds of the Federal Farm Mortgage
Corporation. (Jan. 31, 1934, c. 7, § 6, 48 Stat. 346.)

CAPITAL STOCK OF NATIONAL FARM LOAN ASSOCIATIONS

§ 731 **Par value of shares.**—The shares in national § 8
farm loan associations shall be of the par value
of \$5 each. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)

§ 732 **Voting privileges.**—Every shareholder shall be § 8
entitled to one vote on each share of stock held
by him at all elections of directors and in decid-
ing all questions at meetings of shareholders: *Pro-*
vided, That the maximum number of votes which
may be cast by any one shareholder shall be twenty.
(July 17, 1916, c. 245, § 8, 39 Stat. 367.)

§ 733 **Borrowers only to be members; application § 8**
for membership; subscription to stock in asso-
ciation; stock held as collateral; retirement of
stock.—No persons but borrowers on farm land
mortgages shall be members or shareholders of

national farm loan associations. Any person desiring to borrow on farm land mortgage through a national farm loan association shall make application for membership and shall subscribe for shares of stock in such farm loan association to an amount equal to 5 per centum of the face of the desired loan, said subscription to be paid in cash upon the granting of the loan. If the application for membership is accepted and the loan is granted, the applicant shall, upon full payment therefor, become the owner of one share of capital stock in said loan association for each \$100 of the face of his loan, or any major fractional part thereof. Said capital stock shall be paid off at par and retired upon full payment of said loan. Said capital stock shall be held by said association as collateral security for the payment of said loan, but said borrower shall be paid any dividends accruing and payable on said capital stock while it is outstanding. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)

§ 734

Increase of stock.—Every national farm loan association formed under this chapter shall by its articles of association provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members and providing for the issue of shares to borrowers in accordance with the provisions of this chapter. Such increases shall be included in the quarterly reports to the Farm Credit Administration. (July 17, 1916, c. 245, § 8, 39 Stat. 367; Mar. 27, 1933, Ex. Or. 6084.)

§ 8

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

NATIONAL FARM LOAN ASSOCIATIONS; SPECIAL PROVISIONS

§ 741

Right of members to loans.—Any person whose application for membership is accepted by a national farm loan association shall be entitled to borrow money on farm land mortgage upon filing his application in accordance with section 733, and otherwise complying with the terms of this chapter whenever the Federal land bank of the district has funds available for that purpose, unless said land bank or the Farm Credit Administration shall, in

§ 9

its discretion, otherwise determine. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 742 **Payment for stock from proceeds of member's mortgage loan.**—Any person desiring to secure a loan through a national farm loan association under the provisions of this chapter may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the national farm loan association, such sum to be made a part of the face of the loan and paid off in amortization payments: *Provided, however,* That such addition to the loan shall not be permitted to increase said loan above the limitation imposed in paragraph "Fifth" of section 771. (July 17, 1916, c. 245, § 9, 39 Stat. 368.)

§ 9

§ 743 **Commissions on interest payments; deduction from dividends; loans by land banks to associations; rate of interest.**—Subject to rules and regulations prescribed by the Farm Credit Administration, any national farm loan association shall be entitled to retain as a commission from each interest payment on any loan indorsed by it an amount to be determined by said administration not to exceed one-eighth of 1 per centum semiannually upon the unpaid principal of said loan, any amounts so retained as commissions to be deducted from dividends payable to such farm loan association by the Federal land bank, and to make application to the land bank of the district for loans not exceeding in the aggregate one-fourth of its total stock holdings in said land bank. The Federal land banks shall have power to make such loans to associations applying therefor and to charge interest at a rate not exceeding 6 per centum per annum. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Mar. 27, 1933, Ex. Or. 6084.)

§ 9

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 744 **Individual liability of shareholders.**—Shareholders of every national farm loan association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (July 17, 1916, c. 245, § 9, 39 Stat. 368.) § 9

See § 744a of this chapter for provisions modifying this section.

§ 744a **Same; contract liability after June 16, 1933.**—Notwithstanding the provisions of section 744, the shareholders of national farm loan associations shall not be held individually responsible for any contract, debt, or engagement of such association entered into after June 16, 1933, but this section shall not be construed to relieve any other liability with respect to stock held by such shareholders. (June 16, 1933, c. 98, § 72, 48 Stat. 271.)

§ 745 **New members.**—After a charter has been granted to a national farm loan association, any person who is the owner, or about to become the owner, of farm land qualified under section 771 of this chapter as the basis of a mortgage loan, and who desires to borrow on a mortgage of such farm land, may become a member of the association by a two-thirds vote of the directors upon subscribing for one share of the capital stock of such association for each \$100 of the face of his proposed loan or any major fractional part thereof. He shall at the same time file with the secretary-treasurer his application for a mortgage loan, giving the particulars required by section 771 of this chapter. As used in this section, the term “person” includes an individual, an incorporated association, and a corporation which is eligible for a loan under section 771 of this chapter. (July 17, 1916, c. 245, § 9, 39 Stat. 368; June 3, 1935, c. 164, § 20, 49 Stat. 319.) § 9

APPRAISAL FOR FARM LOANS

§ 751 **Investigation by loan committee of association; character and solvency of applicant; sufficiency of security offered; report.**—Whenever an application for a mortgage loan is made through § 10

a national farm loan association, the loan committee provided for in section 712 of this chapter, shall forthwith make, or cause to be made, such investigation as it may deem necessary as to the character and solvency of the applicant, and the sufficiency of the security offered, and cause written report to be made of the result of such investigation, and shall, if it concurs in such report, approve the same in writing. No loan shall be made unless the report is favorable, and the loan committee is unanimous in its approval thereof. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Apr. 20, 1920, c. 154, § 2, 41 Stat. 570.)

§ 752 **Submission to land bank of loan application and report of association's committee; consideration of association's appraisal by bank.**—The written report required in section 751 shall be submitted to the Federal land bank, together with the application for the loan, and the directors of said land bank shall examine said written report when they pass on the loan application which it accompanies, but they shall not be bound by said appraisal. (July 17, 1916, c. 245, § 10, 39 Stat. 369; April 20, 1920, c. 154, § 2, 41 Stat. 570.)

§ 753 **Requirement for appraisal of land offered as security before making land bank loan.**—Before any mortgage loan is made by any Federal land bank, or joint stock land bank, it shall refer the application and written report of the loan committee to one or more of the land bank appraisers appointed under the authority of section 656 of this chapter, and such appraiser or appraisers shall investigate and make a written report upon the land offered as security for said loan. No such loan shall be made by said land bank unless said written report is favorable. (July 17, 1916, c. 245, § 10, 39 Stat. 369.)

Joint stock land banks prohibited from making farm loans after May 12, 1933, except such as are necessary and incidental to refinancing existing loans and to sale of acquired real estate. See § 810 of this chapter.

§ 754 **Forms for reports.**—Forms for appraisal reports for farm loan associations and land banks shall be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 755 **Examinations by land bank appraisers as to farm loan bonds and first mortgages.**—Land bank appraisers shall make such examinations and appraisals and conduct such investigations, concerning farm loan bonds and first mortgages, as the Farm Credit Administration shall direct. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Mar. 27, 1933, Ex. Or. 6084.) § 10

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 756 **Borrower ineligible as land bank appraiser; association director or committeeman disqualified by interest in loan.**—No borrower under this subchapter shall be eligible as an appraiser under this subdivision, but borrowers may act as members of a loan committee in any case where they are not personally interested in the loan under consideration. When any member of a loan committee or of a board of directors is interested, directly or indirectly, in a loan, a majority of the board of directors of any national farm loan association shall appoint a substitute to act in his place in passing upon such loan. (July 17, 1916, c. 245, § 10, 39 Stat. 369.) § 10

POWERS OF NATIONAL FARM LOAN ASSOCIATIONS

- § 761 **Enumerated powers.**—Every national farm loan association shall have power: § 11

First. *Indorsing mortgages.*—To indorse, and thereby become liable for the payment of, mortgages taken from its shareholders by the Federal land bank of its district. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Second. *Receiving advances from banks and loaning to shareholders.*—To receive from the Federal land bank of its district funds advanced by said land bank, and to deliver said funds to its shareholders on receipt of first mortgages qualified under section 771 of this chapter. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Third. *Fixing charges for applications for loans.*—To fix reasonable initial charges to be made against applicants for loans and to borrowers in order to meet the necessary expenses of the association: *Provided*, That such charges shall not exceed amounts to be fixed by the Farm Credit Administration, and shall in no case exceed 1 per centum

of the amount of the loan applied for; to acquire and dispose of property, real and personal, that may be necessary or convenient for the transaction of its business. (July 17, 1916, c. 245, § 11, 39 Stat. 369; Apr. 20, 1920, c. 154, § 3, 41 Stat. 570; Mar. 27, 1933, Ex. Or. 6084.)

Fourth. *Issuing interest-bearing certificates against deposits of current funds.*—To issue certificates against deposits of current funds bearing interest for not longer than one year at not to exceed 4 per centum per annum after six days from date, convertible into farm loan bonds when presented at the Federal land bank of the district in the amount of \$25 or any multiple thereof. Such deposits, when received, shall be forthwith transmitted to said land bank, and be invested by it in the purchase of farm loan bonds issued by a Federal land bank or in first mortgages as defined by this subchapter. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

National farm loan associations authorized to make their services and facilities available to Land Bank Commissioner to aid in administering subchapter II of this chapter. See § 1018 of this chapter.

"Farm Credit Administration" mentioned in the text was substituted for "Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

RESTRICTIONS ON LOANS OF FEDERAL LAND BANKS BASED ON FIRST MORTGAGES

§ 771

Restrictions enumerated.—No Federal land bank organized under this chapter shall make loans except upon the following terms and conditions:

§ 12

First. *Security by first mortgage.*—Said loans shall be secured by duly recorded first mortgages on farm land within the land bank district in which the bank is situated. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Second. *Agreement for repayment on amortization plan.*—Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover, first, a charge on the loan at a rate not exceeding the interest rate in the last series of farm loan bonds issued by the land bank making the loan; second, a charge for administration and profits at a rate not exceeding, except with the approval of the Governor of the Farm Credit Administration, 1 per centum per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will ex-

§ 771 tinguish the debt within an agreed period, not less than five years nor more than forty years: *Provided*, That after five years from the date upon which a loan is made the mortgagor may, upon any regular installment date, make in advance any number of payments or any portion thereof on account of the principal of his loan as provided by his contract or pay the entire principal of such loan, under the rules and regulations of the Farm Credit Administration: *And provided further*, That before the first issues of farm loan bonds by any land bank the interest rate on mortgages may be determined in the discretion of said land bank, subject to the provisions and limitations of this subchapter. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154, § 4, 41 Stat. 570; June 16, 1933, c. 98, § 73, 48 Stat. 271; Mar. 27, 1933, Ex. Or. 6084.)

§ 12

Third. *Maximum interest rate*.—No loan on mortgage shall be made under this subchapter at a rate of interest exceeding 6 per centum per annum, exclusive of amortization payments. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Fourth. *Purposes of loans enumerated*.—Such loans may be made for the following purposes and for no other:

(a) To provide for the purchase of land for agricultural uses.

(b) To provide for the purchase of equipment, fertilizers, and livestock necessary for the proper and reasonable operation of the mortgaged farm; the term "equipment" to be defined by the Farm Credit Administration.

(c) To provide buildings and for the improvement of farm lands; the term "improvement" to be defined by the Farm Credit Administration.

(d) To liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred prior to January 1, 1933.

(e) To provide the owner of the land mortgaged with funds for general agricultural uses. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154, § 4, 41 Stat. 570; Mar. 4, 1923, c. 252, § 306, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 2, 47 Stat. 1547; Mar. 27, 1933, Ex. Or. 6084.)

Fifth. *Limitation on amount of loans; appraisal; reappraisal*.—No such loan shall exceed 50 per centum of the value of the land mortgaged and 20 per centum of the value of the permanent, insured improvements thereon, said value to be ascertained by appraisal, as provided in sections 751–756 of

§ 771 this chapter. In making said appraisal the value of the land for agricultural purposes shall be the basis of appraisal and the earning power of said land shall be a principal factor.

§ 12

In making loans to owners of groves and orchards, including citrus fruit groves and other fruit groves and orchards, the Federal land banks, the farm land banks, and all Government agencies making loans upon such character of property may, in appraising the property offered as security, give a reasonable and fair valuation to the fruit trees located and growing upon said property and constituting a substantial part of its value. In determining the earning power of land used for the raising of livestock, due consideration shall be given to the extent to which the earning power of the fee-owned land is augmented by a lease or permit, granted by lawful authority of the United States or of any State, for the use of a portion of the public lands of the United States or of such State, where such permit or lease is in the nature of a right adjunctive to such fee-owned land, and its availability for use as such during the terms of the loan is reasonably assured.

A reappraisal may be permitted at any time in the discretion of the Federal land bank, and such additional loan may be granted as such reappraisal will warrant under the provisions of this paragraph. Whenever the amount of the loan applied for exceeds the amount that may be loaned under the appraisal as herein limited, such loan may be granted to the amount permitted under the terms of this paragraph without requiring a new application or appraisal. (July 17, 1916, c. 245, § 12, 39 Stat. 370; May 12, 1933, c. 25, § 41, 48 Stat. 51; June 3, 1935, c. 164, § 22, 49 Stat. 319.)

Sixth. *Restrictions on eligibility for loans; assumption of mortgage and stock interests by purchaser of land or heir.*—No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option, within sixty days of such death, to

§ 771 assume the mortgage and stock interests of the deceased. As used in this paragraph (1) the term "person" includes an individual or a corporation engaged in the raising of livestock; and (2) the term "corporation" includes any incorporated association; but no such loan shall be made to a corporation (A) unless all the stock of the corporation is owned by individuals themselves personally actually engaged in the raising of livestock on the farm to be mortgaged as security for the loan, except in a case where the Land Bank Commissioner permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for. (July 17, 1916, c. 245, § 12, 39 Stat. 370; June 16, 1933, c. 98, § 74, 48 Stat. 271; June 3, 1935, c. 164, § 18, 49 Stat. 319.)

§ 12

Seventh. *Maximum and minimum of loans.*—The amount of loans to any one borrower shall in no case exceed a maximum of \$50,000, but loans to any one borrower shall not exceed \$25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 4, 1923, c. 252, § 307, 42 Stat. 1476; May 12, 1933, c. 25, § 25, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

Eighth. *Form of applications for loans.*—Every applicant for a loan under the terms of this subchapter shall make application on a form to be prescribed for that purpose by the Farm Credit Administration, and such applicant shall state the objects to which the proceeds of said loan are to be applied, and shall afford such other information as may be required. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084.)

Ninth. *Interest on defaulted payments; payment of taxes and liens; insurance.*—Every borrower shall pay simple interest on defaulted payments at the rate of 8 per centum per annum, and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the

§ 771 land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear simple interest at the rate of 8 per centum per annum. Every borrower shall undertake to keep insured to the satisfaction of the Farm Credit Administration all buildings the value of which was a factor in determining the amount of the loan. Insurance shall be made payable to the mortgagee as its interest may appear at time of loss, and, at the option of the mortgagor and subject to general regulations of the Farm Credit Administration, sums so received may be used to pay for reconstruction of the buildings destroyed. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084.) § 12

Tenth. Agreement by borrowers as to use of loans.—Every borrower who shall be granted a loan under the provisions of this subchapter shall enter into an agreement, in form and under conditions to be prescribed by the Farm Credit Administration, that if the whole or any portion of his loan shall be expended for purposes other than those specified in his original application, or if the borrower shall be in default in respect to any condition or covenant of the mortgage, the whole of said loan shall, at the option of the mortgagee, become due and payable forthwith: *Provided*, That the borrower may use part of said loan to pay for his stock in the farm loan association, and the land bank holding such mortgage may permit said loan to be used for any purpose specified in paragraph "Fourth" of this section. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084.)

Eleventh. Loans not invalidated by unauthorized acts by banks or associations.—No loan or the mortgage securing the same shall be impaired or invalidated by reason of the exercise of any power by any Federal land bank or national farm loan association in excess of the powers herein granted or any limitations thereon. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Twelfth. Reduction of interest on loans and deferment of principal.—Notwithstanding the provisions of paragraph "Second" of this section, the rate of interest on any loans on mortgage made through national farm loan associations or through agents as provided in sections 801–808 of this chapter, or purchased from joint stock land banks, by any Federal land bank, outstanding on the date this paragraph takes effect [May 12, 1933] or made through

§ 771 national farm loan associations after such date, shall § 12
not exceed $3\frac{1}{2}$ per centum per annum for all interest
payable on installment dates occurring within a
period of two years commencing July 1, 1935; and
no payment of the principal portion of any install-
ment of any such loan outstanding on June 3,
1935 shall be required prior to July 11, 1938, if
the borrower shall not be in default with respect
to any other condition or covenant of his mort-
gage. The foregoing provisions shall apply to
loans made by Federal land banks through branches,
except that the rates of interest paid for the respec-
tive periods above specified shall be one-half of 1
per centum per annum in excess of the rates of in-
terest paid during the corresponding periods by bor-
rowers on mortgage loans made through national
farm loan associations. The Secretary of the
Treasury shall pay each Federal land bank, as soon
as practicable after October 1, 1933, and after the
end of each quarter thereafter, such amount as the
Land Bank Commissioner certifies to the Secretary
of the Treasury is equal to the amount by which
interest payments on mortgages held by such bank
have been reduced, during the preceding quarter, by
reason of this paragraph; but in any case in which
the Land Bank Commissioner finds that the amount
of interest payable by such bank during any quarter
has been reduced by reason of the refinancing of
bonds under section 992 of this chapter, the amount
of the reduction so found shall be deducted from
the amount payable to such bank under this para-
graph. No payments shall be made to a bank with
respect to any period after June 30, 1938. There
is authorized to be appropriated, out of any money
in the Treasury not otherwise appropriated, the sum
of \$15,000,000 for the purpose of enabling the Secre-
tary of the Treasury to make payments to Federal
land banks which accrue during the fiscal year end-
ing June 30, 1934, and such additional amounts as
may be necessary to make payments accruing during
subsequent fiscal years. (July 17, 1916, c. 245, § 12,
39 Stat. 370; May 12, 1933, c. 25, § 24, 48 Stat. 43;
June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; June 3,
1935, c. 164, § 3, 49 Stat. 314; June 24, 1936, c. 762,
49 Stat. 1912.)

The amendment by Act June 3, 1935, c. 164, was effective July 1, 1935.

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For Government subscription to paid-in surplus of bank, in amounts equal to principal payments deferred, see § 781 (Tenth) of this chapter.

§ 772 **Loans to be in current funds, bonds of corporation, or farm loan bonds.**—Amounts transmitted to farm loan associations by Federal land banks to be loaned to its members shall, at the option of the bank, be in current funds or Federal Farm Mortgage Corporation bonds, or, at the option of the borrower, in farm loan bonds. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Jan. 31, 1934, c. 7, § 7, 48 Stat. 346.) § 12

§ 773 **Mortgages on farm lands under United States reclamation projects.**—The term “first mortgage”, as used in section 771 of this chapter, shall be construed to include mortgages on farm lands under United States reclamation projects, notwithstanding there may be against such lands a reserved or created lien in favor of the United States for construction or other charges as provided in sections 372, 381, 383, 391, 392, 411, 416, 419, 421, 431, 432, 434, 439, 461, 476, 491, 498 of Title 43 [U. S. Code], Public Lands, and acts amendatory thereof and supplementary thereto, known as the reclamation law: *Provided*, That such lands are otherwise eligible for loans under this subchapter: *And provided further*, That the amount and date of maturity of such lien shall be given due consideration in fixing the value of such lands for loan purposes. (May 15, 1922, c. 190, § 3, 42 Stat. 542.)

§ 773a **Loans on lands in drainage, irrigation, or conservancy districts.**—The Farm Credit Administration, the Federal Farm Mortgage Corporation, the Federal land banks, the Land Bank Commissioner, and any lending or financing agency established by or under subchapters I, III, IV and V of this chapter, are authorized to make loans or acquire mortgages on lands in any drainage, irrigation, or conservancy district, notwithstanding the existence of any prior lien or charge arising out of an assessment for special benefits made by such district, in any case where (1) such land is otherwise eligible for a loan, (2) such assessment is payable over a period of years, and (3) reasonable security exists for the repayment of the loan, taking into consideration all facts and values, including the term and size of the loan, the integrity of the applicant, and the increased earning capacity of the lands arising from the improvements or benefits in respect of which the assessment was made. (June 4, 1936, c. 496, 49 Stat. 1461.)

POWERS OF FEDERAL LAND BANKS GENERALLY

§ 781 **Enumerated powers.**—Every Federal land bank shall have power, subject to the limitations and requirements of this subchapter—

§ 13

First. *Issuing and selling farm loan bonds.*—To issue, subject to the approval of the Farm Credit Administration, and to sell farm loan bonds of the kinds authorized in this subchapter, to buy the same for its own account, and to retire the same at or before maturity. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 27, 1933, Ex. Or. 6084.)

Second. *Investing funds in first farm mortgages.*—To invest such funds as may be in its possession in the purchase of qualified first mortgages on farm lands situated within the Federal land bank district within which it is organized or for which it is acting. In order to reduce and/or refinance farm mortgages, to invest such funds as may be in its possession in the purchase of first mortgages on farm lands situated within the Federal land bank district within which it is organized or for which it is acting, or to exchange farm loan bonds for any duly recorded first mortgages on farm lands executed prior to May 12, 1933, at a price which shall not exceed in each individual case the amount of the unpaid principal of the mortgage on the date of such purchase or exchange, or 50 per centum of the normal value of the land mortgaged and 20 per centum of the value of the permanent insured improvements thereon as determined upon an appraisal made pursuant to this subchapter, whichever is the smaller: *Provided*, That any mortgagor whose mortgage is acquired by a Federal land bank under this paragraph shall be entitled to have his farm mortgage indebtedness refinanced in accordance with the provisions of sections 711–723 and 731–734 of this chapter, on the basis of the amount paid by the bank for his mortgage. (July 17, 1916, c. 245, § 13, 39 Stat. 372; May 12, 1933, c. 25, § 22, 48 Stat. 42.)

Third. *Receipt and deposit of mortgages as collateral for bonds; collection of moneys payable under mortgages and bonds.*—To receive and to deposit in trust with the farm loan registrar for the district, to be by him held as collateral security for farm loan bonds, first mortgages upon farm land qualified under section 771 of this chapter, and to empower national farm loan associations,

§ 781 or duly authorized agents, to collect and im- § 13
mediately pay over to said land banks the dues,
interest, amortization installments, and other sums
payable under the terms, conditions, and cove-
nants of the mortgages and of the bonds secured
thereby. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Fourth. *Acquiring and disposing of property.*—
To acquire and dispose of—

(a) Such property, real or personal, as may
be necessary or convenient for the transaction
of its business, which, however, may be in part
leased to others for revenue purposes.

(b) Parcels of land acquired in satisfaction of
debts or purchased at sales under judgments,
decrees, or mortgages held by it. But no such
bank shall hold title and possession of any real
estate purchased or acquired to secure any debt
due to it, for a longer period than 5 years, except
with the special approval of the Farm Credit
Administration in writing. Every such bank
may carry real estate as an asset, for a period
of not exceeding 5 years, at its normal value but
not to exceed the amount of the bank's invest-
ment therein at the time of acquirement of such
real estate. (July 17, 1916, c. 245, § 13, 39 Stat.
372; Mar. 4, 1933, c. 270, § 3, 47 Stat. 1548; Mar.
27, 1933, Ex. Or. 6084.)

Fifth. *Depositing securities and funds with re-
serve banks.*—To deposit its securities and its
current funds subject to check, with any member
bank of the Federal Reserve System, and to
receive interest on the same as may be agreed.
(July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Sixth. *Receiving deposits from associations.*—
To accept deposits of securities or of current
funds from national farm loan associations holding
its shares, but to pay no interest on such deposits.
(July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Seventh. *Borrowing money.*—To borrow money,
to give security therefor, and to pay interest
thereon. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Eighth. *Buying and selling United States
bonds.*—To buy and sell United States bonds. (July
17, 1916, c. 245, § 13, 39 Stat. 372.)

Ninth. *Charging fees for loans.*—To charge ap-
plicants for loans and borrowers, under rules and
regulations promulgated by the Farm Credit
Administration, reasonable fees not exceeding the
actual cost of appraisal and determination of title.
Legal fees and recording charges imposed by law in

§ 781

the State where the land to be mortgaged is located may also be included in the preliminary costs of negotiating mortgage loans. The borrower may pay such fees and charges or he may arrange with the Federal land bank making the loan to advance the same, in which case said expenses shall be made a part of the face of the loan and paid off in amortization payments. Such addition to the loan shall not be permitted to increase said loan above the limitations provided in section 771 of this chapter. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 27, 1933, Ex. Or. 6084.)

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Tenth. Extension of obligations unpaid under terms of mortgages.—When in the judgment of the directors conditions justify it, to extend, in whole or in part, any obligation that may be or become unpaid under the terms of any mortgage, and to accept payment of any such obligation during a period of five years or less from the date of such extension in such amounts as may be agreed upon at the date of making such extension. The sum of \$25,000,000 of the amount authorized to be appropriated under section 698 of this chapter shall be used exclusively for the purpose of supplying any bank with funds to use in its operations in place of any amounts of which such bank may be deprived by reason of extensions made as provided in this paragraph. The terms of any such extension shall be such as will not defer the collection of any obligation due by any borrower which, after investigation by the bank of the situation of such borrower, is shown to be within his capacity to meet. In the case of any such extension made prior to the expiration of five years from May 12, 1933 or in the case of any deferment of principal as provided in paragraph "Twelfth" of section 771 of this chapter, it shall be the duty of the Secretary of the Treasury, on behalf of the United States, upon the request of the Federal land bank making the extension, and with the approval of the Land Bank Commissioner, to subscribe at such periods as the Commissioner shall determine, to the paid-in surplus of such bank an amount equal to the amount of all such extensions and deferments made by the bank during the preceding period. Such subscriptions shall be subject to call, in whole or in part, by the bank with the approval of the Commissioner upon thirty days' notice. To enable the Secretary of the Treasury to make such subscriptions to the paid-in surplus of the Federal land banks, there is

§ 781 hereby authorized to be appropriated the sum of § 13
\$50,000,000, to be immediately available and remain available until expended. Upon payment to any Federal land bank of the amount of any such subscription, such bank shall execute and deliver a receipt therefor to the Secretary of the Treasury in form to be prescribed by the Land Bank Commissioner. The amount of any subscriptions to the paid-in surplus of any such bank may be repaid in whole or in part at any time in the discretion of the bank and with the approval of the Land Bank Commissioner, and the Commissioner may at any time require such subscriptions to be repaid in whole or in part if in his opinion the bank has resources available therefor. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Jan. 23, 1932, c. 9, § 5, 47 Stat. 14; May 12, 1933, c. 25, § 23, 48 Stat. 43; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

For interest rate on extended payments, see paragraph "Twelfth" of this section.

Eleventh. *Postponement of payment of installments of loans.*—At any time within five years after March 4, 1933, any borrower who has obtained a loan from a Federal land bank may on application to such Federal land bank and upon approval of such application by the directors of the bank postpone the payment of any unpaid installment or installments in the manner herein provided in this section. Such postponed payment shall be made by paying at the time each succeeding annual installment is due, one-tenth of the amount of the postponed payment, and, in the case of semiannual installments, by paying at the time each succeeding semiannual installment is due, one-twentieth of the postponed payment, until the amount of such postponed payment has been paid. In any case in which the number of remaining installments due on the mortgage is less than ten, in the case of annual installments, or less than twenty, in the case of semiannual installments, the amount of the postponed payment shall be distributed proportionately over the remaining number of installment payments. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat. 1548.)

Twelfth. *Interest rate; on extended payments; on taxes, liens, etc., paid by mortgagee.*—For the period of five years after March 4, 1933, every borrower shall pay simple interest on extended payments at the same rate of interest as stipulated in the mort-

§ 781 gage securing the loan as to payments not in default § 13
and by express covenant in his mortgage deed shall
undertake to pay when due all taxes, liens, judg-
ments, or assessments which may be lawfully as-
sessed against the land mortgaged. Taxes, liens,
judgments, or assessments not paid when due, and
paid by the mortgagee, shall become a part of the
mortgage debt and shall bear interest at the rate
provided in the mortgage. (July 17, 1916, c. 245, §
13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat.
1548.)

Thirteenth. *Reamortization of mortgages.*—When
in the judgment of the directors conditions justify
it, and with the approval of the Farm Credit
Administration, to reamortize, in whole or in part,
the aggregate amount remaining unpaid under the
terms of any mortgage, and to accept payment of
such aggregate amount on an amortization plan by
means of a fixed number of annual or semiannual
installments sufficient to cover the interest payable
on the mortgage, and in addition thereto such
amounts to be applied upon the principal as will
extinguish the debt within an agreed period of not
more than forty years from the date of the reamor-
tization; to deposit such mortgages with the farm
loan registrar as collateral security for farm loan
bonds at an amount not exceeding the principal of
the original loan remaining unpaid at the date of
such amortization; and with the approval of the
Farm Credit Administration to charge the bor-
rower an amount not to exceed the actual cost
incurred in connection with such reamortization.
(July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4,
1933, c. 270, § 4, 47 Stat. 1548; Mar. 27, 1933, Ex.
Or. 6084.)

Fourteenth. *Agreements to share gains and losses
with associations.*—To enter into agreements with
national farm loan associations of the district under
the terms of which losses incurred and gains real-
ized on account of the disposition of lands covered
by a defaulted mortgage indorsed by such associa-
tion will be shared equally by the bank and the
association. (July 17, 1916, c. 245, § 13, 39 Stat.
372; June 16, 1933, c. 98, § 79, 48 Stat. 272.)

Fifteenth. *Exchange for and purchase of Federal
Farm Mortgage Corporation bonds.*—To exchange
farm loan bonds for Federal Farm Mortgage
Corporation bonds of equal face value, and to pur-
chase Federal Farm Mortgage Corporation bonds
at or below par. (July 17, 1916, c. 245, § 13, 39
Stat. 372; Jan. 31, 1934, c. 7, § 8 (a), 48 Stat. 347.)

Sixteenth. *Exchange of Federal Farm Mortgage Corporation bonds for farm loan bonds.*—To exchange Federal Farm Mortgage Corporation bonds for farm loan bonds of equal face value. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Jan. 31, 1934, c. 7, § 8 (a), 48 Stat. 347.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Federal land banks authorized to make their services and facilities available to Land Bank Commissioner to aid in administering subchapter II of this chapter. See § 1018 of this chapter.

RESTRICTIONS ON FEDERAL LAND BANKS

§ 791 **Enumeration of restrictions.**—No Federal land bank shall have power— § 14

First. *Limiting deposits.*—To accept deposits of current funds payable upon demand except from its own stockholders, or to transact any banking or other business not expressly authorized by the provisions of this subchapter. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Second. *Loaning on first mortgages except through associations.*—To loan on first mortgage except through national farm loan associations as provided in sections 711–722 and sections 731–734 of this chapter [secs. 7 and 8 of the Federal Farm Loan Act, as amended], or through agents as provided in sections 801–808 of this chapter, or direct to borrowers as provided in section 723. (July 17, 1916, c. 245, § 14, 39 Stat. 372; Mar. 4, 1933, c. 270, § 5 (a), 47 Stat. 1549.)

Third. *Accepting other than first mortgages.*—To accept any mortgages on real estate except first mortgages created subject to all limitations imposed by sections 771–773 of this chapter, and those taken as additional security for existing loans. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Fourth. *Issuing excess of bonds; receiving excess of mortgages from associations.*—To issue or obligate itself for outstanding farm loan bonds (including consolidated bonds issued on its behalf) in excess of twenty times the amount of its capital and surplus, or to receive from any national farm loan association additional mortgages when the principal remaining unpaid upon mortgages already received from such association shall exceed twenty times the amount of its capital stock owned by such association. (July 17, 1916, c. 245, § 14, 39 Stat. 372; June 16, 1933, c. 98, § 75 (a), 48 Stat. 271.)

Fifth. *Demanding unauthorized commissions.*—To demand or receive, under any form or pretense,

any commission or charge not specifically authorized in this subchapter. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Sixth. *Accepting mortgages on personal property exempt from execution.*—To accept as additional security for any loan to any borrower under this subchapter, or any installment on any such loan, any personal property which is exempt from execution upon judgment under the laws of the State in which the land with respect to which the mortgage is given is situated. (July 17, 1916, c. 245, § 14, 39 Stat. 372; Mar. 4, 1933, c. 270, § 5 (b), 47 Stat. 1549; June 16, 1933, c. 98, § 71, 48 Stat. 271.)

LOANS BY FEDERAL LAND BANKS THROUGH AGENTS

§ 801 **Loans; when authorized.**—Whenever it shall appear to the Farm Credit Administration that national farm loan associations have not been formed, and are not likely to be formed, in any locality, because of peculiar local conditions, said administration may, in its discretion, authorize Federal land banks to make loans on farm lands through agents approved by said administration. (July 17, 1916, c. 245, § 15, 39 Stat. 373; Mar. 27, 1933, Ex. Or. 6084.) § 15

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board”, respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 802 **Manner of making.**—Loans authorized by section 801 of this chapter shall be subject to the same conditions and restrictions as if the same were made through national farm loan associations, and each borrower shall contribute 5 per centum of the amount of his loan to the capital of the Federal land bank, and shall become the owner of as much capital stock of the land bank as such contribution shall warrant. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15

§ 803 **Who may be employed as agent.**—No agent other than a duly incorporated bank, trust company, mortgage company, or savings institution, chartered by the State in which it has its principal office, shall be employed under the provisions of sections 801–808 hereof. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15

- § 804 **Expenses of and commissions to agents.**—Federal land banks may pay to such agents the actual expense of appraising the land offered as security for a loan, examining and certifying the title thereof, and making, executing, and recording the mortgage papers; and in addition may allow said agents not to exceed one-half of 1 per centum per annum upon the unpaid principal of said loan, such commission to be deducted from dividends payable to the borrower on his stock in the Federal land bank. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15
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- § 805 **Expenses of agents added to loans.**—Actual expenses paid to agents under the provisions of sections 801–808 hereof shall be added to the face of the loan and paid off in amortization payments subject to the limitations provided in paragraph “Ninth” of section 781 of this chapter. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15
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- § 806 **Collection of loan payments.**—Said agents, when required by the Federal land banks, shall collect and forward to such banks without charge all interest and amortization payments on loans indorsed by them. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15
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- § 807 **Indorsement of loans; liability thereon.**—Any agent negotiating any such loan shall indorse the same and become liable for the payment thereof, and for any default by the mortgagor, on the same terms and under the same penalties as if the loan had been originally made by said agent as principal and sold by said agent to said land bank, but the aggregate of the unpaid principal of mortgage loans received from any such agent shall not exceed 10 times its capital and surplus. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15
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- § 808 **When loans to cease.**—If at any time the district represented by any agent under the provisions of sections 801–808 of this chapter shall, in the judgment of the Farm Credit Administration, be adequately served by national farm loan associa- § 15

tions, no further loans shall be negotiated therein by agents under said sections. (July 17, 1916, c. 245, § 15, 39 Stat. 373; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

JOINT STOCK LAND BANKS

§ 810 **Restriction against making loans or issuing bonds after May 12, 1933.**—After May 12, 1933, no joint stock land bank shall issue any tax-exempt bonds or make any farm loans except such as are necessary and incidental to the refinancing of existing loans or bond issues or to the sale of any real estate now owned or hereafter acquired by such bank. (May 12, 1933, c. 25, § 29, 48 Stat. 46.)

For loans to joint stock land banks to provide for orderly liquidation and for emergency purposes, see § 823 (note) of this chapter.

§ 811 **Organization; directors.**—Corporations, to be known as joint stock land banks, for carrying on the business of lending on farm mortgage security and issuing farm loan bonds, may be formed by any number of natural persons not less than ten. They shall be organized subject to the requirements and under the conditions set forth in sections 671–683 of this chapter, so far as the same may be applicable: *Provided*, That the board of directors of every joint stock land bank shall consist of not less than five members. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 812 **Individual liability of shareholders.**—Shareholders of every joint stock land bank organized under this chapter shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

§ 813 **Powers, duties, and liabilities; stock.**—Except as otherwise provided, joint stock land banks shall have the powers of, and be subject to all the restric- § 16

tions and conditions imposed on, Federal land banks by this chapter, so far as such restrictions and conditions are applicable: *Provided, however,* That the Government of the United States shall not purchase or subscribe for any of the capital stock of any such bank; and each shareholder of any such bank shall have the same voting privileges as holders of shares in national banking associations. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

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- § 814 **Limitation on amount of issue of bonds; transacting unauthorized business.**—No joint stock land bank shall have power to issue or obligate itself for outstanding farm loan bonds in excess of fifteen times the amount of its capital and surplus, or to receive deposits or to transact any banking or other business not expressly authorized by the provisions of this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

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- § 815 **Minimum capital stock.**—No joint stock land bank shall be authorized to do business until capital stock to the amount of at least \$250,000 has been subscribed, one-half thereof paid in cash and the balance subject to call by the board of directors, and a charter has been issued to it by the Farm Credit Administration. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.) § 16

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

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- § 816 **Issuing bonds before payment of stock.**—No joint stock land bank shall issue any bonds until after the capital stock is entirely paid up. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

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- § 817 **Form of bonds.**—Farm loan bonds issued by joint stock land banks shall be so engraved as to be readily distinguished in form and color from farm § 16

loan bonds issued by Federal land banks, and shall otherwise bear such distinguishing marks as the Farm Credit Administration shall direct. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 818 **Interest rates; restrictions on mortgage loans.**—Joint stock land banks shall not be subject to the provisions of subsection (b) of section 831 of this chapter as to interest rates on mortgage loans or farm loan bonds, nor to the provisions of paragraphs "First", "Fourth", "Sixth", "Seventh", and "Tenth" of section 771 as to restrictions on mortgage loans: *Provided, however,* That no loans shall be made which are not secured by first mortgages on farm lands within the State in which such joint stock land bank has its principal office, or within some one State contiguous to such State, except as hereinafter provided. Such joint stock land banks shall be subject to all other restrictions on mortgage loans imposed on Federal land banks in section 771 of this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 4, 1931, c. 518, § 1, 46 Stat. 1548.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 819 **Limitation on interest rates.**—Joint stock land banks shall in no case charge a rate of interest on farm loans exceeding by more than 1 per centum the rate of interest established for the last series of farm loan bonds issued by them. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

§ 820 **Unauthorized commissions or charges.**—Joint stock land banks shall in no case demand or receive, under any form or pretense, any commission or charge not specifically authorized in this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

§ 821 **Bonds; form and contents.**—Each joint stock land bank organized under this chapter shall have authority to issue bonds based upon mortgages taken by it in accordance with the terms of this chapter. Such bonds shall be in form prescribed by the Farm Credit Administration, and it shall be stated in such bonds that such bank is organized under section sixteen of the Federal Farm Loan Act [sections 811–823 of this chapter], is under Federal supervision, and operates under the provisions of said Act. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.) § 16

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of that chapter. See that section.

§ 822 **Voluntary liquidation.**—Any joint stock land bank organized and doing business under the provisions of this chapter may go into voluntary liquidation by making provision, to be approved by the Farm Credit Administration, for the payment of its liabilities: *Provided*, That such method of liquidation shall have been duly authorized by a vote of at least two-thirds of the shareholders of such joint stock land bank at a regular meeting, or at a special meeting called for that purpose, of which at least ten days’ notice in writing shall have been given to stockholders. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691; Mar. 27, 1933, Ex. Or. 6084.) § 16

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

See also § 823 (note), and § 965.

§ 823 **Assets of liquidating bank; purchase by Federal or joint stock land bank; assumption of liabilities.**—For the purpose of assisting in any such liquidation authorized as in section 822 of this chapter provided, any Federal land bank or joint stock land bank may, with the approval of the Farm Credit Administration, acquire the assets and assume the liabilities of any joint stock land bank, and in such transaction any Federal land bank may waive the provisions of this chapter requiring such bank to acquire its loans only through national farm loan associations or agents, and those relating § 16

§ 823 to status of borrower, purposes of loan, and also the limitation as to the amount of individual loans. No Federal land bank shall assume the obligations of any joint stock land bank in such manner as to make its outstanding obligations more than twenty times its capital stock except by creation of a special reserve equal to one-twentieth of the amount of such additional obligations assumed. No joint stock land bank shall assume the obligations of any other joint stock land bank in such manner as to make its outstanding obligations more than fifteen times the amount of its capital and surplus except by creation of a special reserve equal to one-fifteenth of the amount of such additional obligations assumed. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691; Mar. 4, 1925, c. 524, § 5, 43 Stat. 1263; Mar. 27, 1933, Ex. Or. 6084.) § 16

HISTORICAL NOTE

Joint stock land banks are now prohibited from making loans or issuing tax-exempt bonds, except in circumstances permitted under § 810 of this chapter. This prohibition constituted Section 29 of Part 2 of "The Emergency Farm Mortgage Act of 1933." The remaining sections of Part 2, which are quoted in this note, made provision for loans, to be made to joint stock land banks during a limited period of time, to aid in the orderly liquidation of these corporations, and to enable them to grant certain emergency relief to their borrowers.

LOANS TO JOINT STOCK LAND BANKS TO PROVIDE FOR ORDERLY LIQUIDATION

SEC. 30. (a) The Reconstruction Finance Corporation is authorized and directed to make available to the Land Bank Commissioner, out of the funds of the Corporation, the sum of \$100,000,000, to be used, for a period not exceeding four years from the date of enactment of this Act, for the purpose of making loans to the joint stock land banks organized and doing business under the Federal Farm Loan Act, as amended, at a rate of interest not to exceed 4 per centum per annum, payable annually. Such loans shall be made upon application therefor by such banks and upon compliance with the requirements of this section. The amount which may be loaned hereunder to any such bank shall not exceed an amount having the same proportion to the said \$100,000,000 as the unpaid principal of the mortgages held by such bank on the date of enactment of this Act bears to the total amount of the unpaid principal of the mortgages held by all the joint stock land banks on such date.

(b) Any joint stock land bank applying for a loan under this section shall deliver to the Land Bank Commissioner as collateral security therefor first mortgages or purchase-money mortgages on farm lands, first mortgages on farm real estate owned by the bank in fee simple, or such other

collateral as may be available to said bank, including sales contracts and sheriff's certificates on farm lands. The real estate upon which such collateral is based shall be appraised by appraisers appointed under the Federal Farm Loan Act, as amended, and the borrowing bank shall be entitled to borrow not to exceed 60 per centum of the normal value of such real estate as determined by such appraisal. Fees for such appraisals shall be paid by the applicant banks in such amounts as may be fixed by the Land Bank Commissioner. - No such loan shall be made until the applicant bank, under regulations to be prescribed by the Land Bank Commissioner, (1) shall have agreed to grant to each borrower then indebted to the bank under the terms of a first mortgage a reduction to 5 per centum per annum in the rate of interest specified in such mortgage, beginning at his next regular installment date, and (2) shall have agreed to the satisfaction of the Commissioner that during a period of two years from June 3, 1935, the bank will not proceed against the mortgagor on account of default in the payment of interest or principal due under the terms of its mortgage and will not foreclose its mortgage unless the property covered by such mortgage is abandoned by the mortgagor or unless, in the opinion of the Commissioner, such foreclosure is necessary for other reasons. Such loans shall be made to aid the orderly liquidation of any such bank in accordance with such plan as may be approved by the Land Bank Commissioner. Before any such plan is approved by the Commissioner he shall be satisfied that the plan carries out the purposes of this section and that such part of the proceeds of the loan as is devoted to settlements with bondholders will be used only to effect an equitable settlement with all bondholders. After the plan has been approved by the Commissioner he shall require the bank to mail a copy thereof to all its known bondholders and to publish a notice setting forth its provisions in at least three newspapers having general circulation. (May 12, 1933, c. 25, § 30, 48 Stat. 46; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; June 3, 1935, c. 164, § 16, 49 Stat. 318.)

LOANS BY THE LAND BANK COMMISSIONER TO JOINT STOCK
LAND BANKS FOR EMERGENCY PURPOSES

SEC. 31. (a) Out of the funds made available to him under section 30, the Land Bank Commissioner is authorized to make loans, in an aggregate amount not exceeding \$25,000,000, at a rate of interest not to exceed 4 per centum per annum, to any joint stock land bank for the purpose of securing the postponement, until May 13, 1937, of the foreclosure of first mortgages held by such banks on account of (1) default in the payment of interest and principal due under the terms of the mortgage, and (2) unpaid delinquent taxes, excluding interest and penalties, which may be secured by the lien of said mortgage: *Provided*, That during the period of postponement of foreclosure such banks shall charge the mortgagor interest at a rate not exceeding 4 per centum per annum on the aggregate amount of such delinquent taxes and defaulted interest and principal with respect to which loans are made pursuant to this section. The amount loaned to any joint stock land bank under this section shall be made without reappraisal: *Provided*, That the amount loaned with respect to any mortgage on account

of unpaid principal shall not exceed 5 per centum of the total unpaid principal of such mortgage, and the total amount loaned to any such land bank with respect to any mortgage shall not exceed 25 per centum of the total unpaid principal of such mortgage.

(b) No such loan shall be made with respect to any mortgage unless the Land Bank Commissioner is satisfied that the mortgagor, after exercising ordinary diligence to pay his accrued delinquent taxes, and meet accrued interest and principal payments, has defaulted thereon; and unless the bank shall have agreed to the satisfaction of the Land Bank Commissioner that during the period of postponement the bank will not foreclose such mortgage unless the property covered thereby is abandoned by the mortgagor or unless in the opinion of the Land Bank Commissioner such foreclosure is necessary for other reasons.

(c) Each such loan shall be secured by an assignment to the Land Bank Commissioner of the lien of the taxes and/or of the bank's mortgage with respect to which the loan is made: *Provided*, That the part of each such lien so assigned representing the interest and principal due and unpaid in any such mortgage which has been assigned to the farm loan registrar shall be subordinate to the existing lien of the bank for the balance of the indebtedness then or thereafter to become due under the terms of such mortgage; but the Land Bank Commissioner may require the bank to furnish additional collateral as security for such loan, if such collateral is available to the bank.

(d) The Land Bank Commissioner is authorized to make such rules and regulations as may be necessary to carry out the purposes of this section and to make the relief contemplated immediately available. (May 12, 1933, c. 25, § 31, 48 Stat. 47; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; June 3, 1935, c. 164, § 17 (a) (b), 49 Stat. 318.)

"Farm Credit Administration" mentioned above was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 824

Insolvency; receivership; acquisition of assets by other banks; loans by acquiring bank in additional States.—In any case where a joint stock land bank has been, or may be, declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, any Federal land bank or joint stock land bank may, in the manner as may be prescribed by the Farm Credit Administration and with the approval of the Farm Credit Administration, acquire the assets and assume the liabilities of said joint stock land bank in the hands of a receiver. Any joint stock land bank which has acquired or may hereafter acquire the assets and which has assumed or may hereafter assume the liabilities of another joint stock land bank may, if authorized by the Farm Credit Administration, make loans secured by first mortgages on farm lands within the States in which the other joint

§ 16

stock land bank was authorized to make loans at the time of such acquisition, and the acquiring bank may, with the approval of the Farm Credit Administration, continue to make loans in the States where it was authorized to make loans at the time of such acquisition: *Provided, however,* That the acquiring bank shall not be authorized to make loans at any one time in more than five States, of which one shall be the State in which the bank has its principal office, one shall be contiguous to such State, the other shall be the States in which the acquired joint stock land banks were authorized to make loans at the time of such acquisition, and all of said five States shall be situated in contiguous territory. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 4, 1931, c. 518, § 2, 46 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter. See that section.

For receivers of joint stock land banks, see also § 963 of this chapter.

POWERS OF FARM CREDIT ADMINISTRATION

§ 831

Enumeration.—The Farm Credit Administration shall have power—

§ 17

(a) *Organizing and chartering banks and loan associations; authorizing increase of stock.*—To organize and charter Federal land banks, and to charter national farm loan associations and joint stock land banks subject to the provisions of this subchapter, and in its discretion to authorize them to increase their capital stock.

(b) *Reviewing and altering interest rates.*—To review and alter at its discretion the rate of interest to be charged by Federal land banks for loans made by them under the provisions of this subchapter, said rates to be uniform so far as practicable.

(c) *Granting or refusing authority to issue bonds.*—To grant or refuse to Federal land banks, or joint stock land banks, authority to make any specific issue of farm loan bonds.

(d) *Making rules and regulations as to charges on loans.*—To make rules and regulations respecting the charges made to borrowers on loans under this subchapter for expenses in appraisal, determination of title, and recording.

(e) *Requiring reports, etc.; examining banks and associations.*—To require reports and statements of

condition and to make examinations of all banks or associations doing business under the provisions of this subchapter.

(f) *Prescribing form and terms of bonds and surety bonds.*—To prescribe the form and terms of farm loan bonds, and the form, terms, and penal sums of all surety bonds required under this subchapter and of such other surety bonds as they shall deem necessary, such surety bonds to cover financial loss as well as faithful performance of duty.

(g) *Regulating payments between banks.*—To require Federal land banks to pay forthwith to any Federal land bank their equitable proportion of any sums advanced by said land bank to pay the coupons of any other land bank, basing said required payments on the amount of farm loan bonds issued by each land bank and actually outstanding at the time of such requirement.

(h) *Suspending or removal of directors, registrars, appraisers, and examiners.*—To suspend or to remove for cause any district director or any registrar, appraiser, examiner, or other official appointed by said administration under authority of sections 651–664 of this chapter, the cause of such suspension or removal to be communicated forthwith in writing by the Farm Credit Administration to the person suspended or removed, and in case of a district director to the proper Federal land bank.

(i) *Exercising supervisory authority over banks.*—To exercise general supervisory authority over the Federal land banks, the national farm loan associations, and the joint stock land banks herein provided for.

(j) *Incidental powers.*—To exercise such incidental powers as shall be necessary or requisite to fulfill its duties and carry out the purposes of this subchapter. (July 17, 1916, c. 245, § 17, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

Authorization to make rules and regulations, see § 665 of this chapter.

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board”, respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

APPLICATIONS FOR FARM LOAN BONDS

§ 841 **Application; to whom made; collateral security; schedule.**—Any Federal land bank, or joint stock land bank, which shall have voted to issue farm loan bonds under this chapter, shall make

§ 18

written application to the Farm Credit Administration, through the farm loan registrar of the district, for approval of such issue. With said application said land bank shall tender to said farm loan registrar as collateral security first mortgages on farm lands qualified under the provisions of sections 771, 801–808, or 811–824 of this chapter, [sections 12, 15, or 16 of the Federal Farm Loan Act, as amended], or United States Government bonds, not less in aggregate amount than the sum of the bonds proposed to be issued. Said bank shall furnish with such mortgages a schedule containing a description thereof and such further information as may be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

Joint stock land banks prohibited from issuing tax-exempt bonds after May 12, 1933, except in circumstances permitted under § 810 of this chapter.

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 842

Verification of schedule; investigation and appraisal of securities tendered; decision as to application.—Upon receipt of the application provided for in section 841 of this chapter said farm loan registrar shall verify the schedule also provided for in said section and shall transmit said application and said schedule to the Farm Credit Administration, giving such further information pertaining thereto as he may possess. The Farm Credit Administration shall forthwith cause to be made such investigation and appraisal of the securities tendered as it shall deem wise, and it shall grant in whole or in part, or reject entirely, such application. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

§ 18

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 843

Transmission of decisions to land bank and registrar; information to be furnished by registrar.—The Farm Credit Administration shall promptly transmit its decision as to any issue of farm loan bonds to the land bank applying for the same and to the farm loan registrar of the district. Said registrar shall furnish, in writing, such information regarding any issue of farm loan bonds as the Farm Credit Administration may at any

§ 18

time require. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 844 **Written approval of issue requisite.**—No issue of farm loan bonds shall be authorized unless the Farm Credit Administration shall approve such issue in writing. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.) § 18

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

ISSUE OF FARM LOAN BONDS

§ 851 **Duties of registrar on approval of bond issue.**—Whenever any farm loan registrar shall receive from the Farm Credit Administration notice that it has approved any issue of farm loan bonds under the provisions of sections 841–844, he shall forthwith take such steps as may be necessary, in accordance with the provisions of this chapter, to insure the prompt execution of said bonds and the delivery of the same to the land bank applying therefor. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.) § 19

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 852 **Rejection of application; return of collateral security.**—Whenever the Farm Credit Administration shall reject entirely any application for an issue of farm loan bonds, the first mortgages and bonds tendered to the farm loan registrar as collateral security therefor shall be forthwith returned to said land bank by him. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.) § 19

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 853 **Disposition of collateral security on approval of application.**—Whenever the Farm Credit Administration shall approve an issue of farm loan bonds, the farm loan registrar having the custody of § 19

the first mortgages and bonds tendered as collateral security for such issue of bonds shall retain in his custody those first mortgages and bonds which are to be held as collateral security, and shall return to the bank owning the same any of said mortgages and bonds which are not to be held by him as collateral security. The land bank which is to issue said farm loan bonds shall transfer to said registrar, by assignment, in trust, all first mortgages and bonds which are to be held by said registrar as collateral security, said assignment providing for the right of redemption at any time by payment as provided in this chapter and reserving the right of substitution of other mortgages qualified under sections 771 and 811-824 of this chapter. Said mortgages and bonds shall be deposited in such deposit vault or bank as the Farm Credit Administration shall approve, subject to the control of said registrar and in his name as trustee for the bank issuing the farm loan bonds and for the prospective holders of said farm loan bonds. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 854

Mortgages eligible as collateral.—No mortgage shall be accepted by a farm loan registrar from a land bank as part of an offering to securing* farm loan bonds, either originally or by substitution, except first mortgages made subject to the conditions prescribed in sections 671-683, 711-723, 771, 801-808, and 810-824 of this chapter: *Provided*, That such registrar, when authorized and directed to do so by the Farm Credit Administration, shall accept or retain in his custody as collateral, if otherwise eligible under the provisions of such sections, any first mortgage in connection with which the land bank depositing the same has agreed to defer for a period of not more than ten years the collection of the principal portion of maturing installments and to accept payment of the aggregate amount of such principal on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover the interest payable thereon and in addition thereto such amounts to be applied on the principal after the expiration of the period of deferment as will extinguish the debt within an agreed period of not more than forty years from the date of such agreement. (July 17, 1916, c. 245,

§ 19

* So in original.

§19, 39 Stat. 376; Mar. 4, 1933, c. 270, § 6 (a), 47 Stat. 1549; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 855 **Registrar's duty respecting amount of collateral; United States bonds or cash in lieu of mortgages withdrawn.**—It shall be the duty of each farm loan registrar to see that the farm loan bonds delivered by him and outstanding do not exceed the amount of collateral security pledged therefor. Such registrar may, in his discretion, temporarily accept, in place of mortgages withdrawn, United States Government bonds or cash. (July 17, 1916, c. 245, § 19, 39 Stat. 376.) § 19

§ 856 **Additional security.**—The Farm Credit Administration may, at any time, call upon any land bank for additional security to protect the bonds issued by it. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.) § 19

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 857 **Purchase money mortgages as collateral in lieu of mortgages withdrawn.**—Such farm loan registrar shall also accept purchase money mortgages as collateral security in place of mortgages withdrawn. The banks shall have power to execute all necessary conveyances, transfers, and assignments to carry out this provision. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 4, 1933, c. 270, § 6 (b), 47 Stat. 1549.) § 19

FORM OF FARM LOAN BONDS

§ 861 **Denominations; minimum and maximum periods; interest coupons; rates of interest.**—Bonds provided for in this subchapter shall be issued in denominations of \$40, \$100, \$500, \$1,000, and such larger denominations as the Farm Credit Administration may authorize; they shall run for specified minimum and maximum periods, subject to payment and retirement, at the option of the land bank, at any time after the minimum period specified in the bonds, which shall not be longer than ten years from the date of their issue. They shall have interest coupons attached, payable semiannually, § 20

and shall be issued in series of not less than \$50,000, the amount and terms to be fixed by the Farm Credit Administration. They shall bear a rate of interest not to exceed $5\frac{1}{2}$ per centum per annum, but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per centum per annum. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Apr. 20, 1920, c. 154, § 5, 41 Stat. 571; Mar. 4, 1921, c. 151, 41 Stat. 1362; Aug. 13, 1921, c. 63, 42 Stat. 159; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

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- § 862 **Rules and regulations as to payment.**—The Farm Credit Administration shall prescribe rules and regulations concerning the circumstances and manner in which farm loan bonds shall be paid and retired under the provisions of this chapter. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.) § 20

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

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- § 863 **Delivery to bank.**—Farm loan bonds shall be delivered through the registrar of the district to the bank applying for the same. (July 17, 1916, c. 245, § 20, 39 Stat. 377.) § 20

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- § 864 **Preparation; custody of plates and dies; exchange for registered bonds; reexchange for coupons.**—In order to furnish farm loan bonds for delivery at the Federal land banks and joint stock land banks, the Secretary of the Treasury is hereby authorized to prepare suitable bonds in such form, subject to the provisions of this chapter, as the Farm Credit Administration may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the Farm Credit Administration. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. Any expenses incurred in the preparation, custody, and delivery of such farm loan bonds shall be paid by the Secretary of the Treasury from any funds in the Treasury not otherwise appropriated: *Provided, however,* That the Secretary shall be reimbursed for such expenditures by the Farm Credit Administration through assessment upon the farm land banks in proportion to the work executed. They may be exchanged into § 20

registered bonds of any amount, and reexchanged into coupon bonds, at the option of the holder, under rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Effective July 1, 1935, the permanent appropriation provided for in this section was repealed by Act June 26, 1934, c. 756, § 1, 48 Stat. 1224. See section 725 (b) of Title 31, U. S. Code.

SPECIAL PROVISIONS OF FARM LOAN BONDS

§ 871 **Land banks as bound by acts of officers and Farm Credit Administration in issue of bonds.—** § 21
Each land bank shall be bound in all respects by the acts of its officers in signing and issuing farm loan bonds and by the acts of the Farm Credit Administration in authorizing their issue. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 872 **Liability of each Federal land bank for bonds issued by it and by other Federal land banks.—** § 21
Every Federal land bank issuing farm loan bonds shall be primarily liable therefor, and shall also be liable, upon presentation of farm loan bond coupons, for interest payments due upon any farm loan bonds issued by other Federal land banks and remaining unpaid in consequence of the default of such other land banks; and every such bank shall likewise be liable for such portion of the principal of farm loan bonds so issued as shall not be paid after the assets of any such other land banks shall have been liquidated and distributed: *Provided*, That such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent land banks liable therefor in proportion to the amount of farm loan bonds which each may have outstanding at the time of such assessment. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 873 **Federal land banks; action of directors respecting bond liability.—** § 21
Every Federal land bank shall by appropriate action of its board of di-

rectors, duly recorded in its minutes, obligate itself to become liable on farm loan bonds as provided in sections 871–886 of this chapter. (July 17, 1916, c. 245, § 21, 39 Stat. 377.)

§ 874 **Signing and attesting bonds; certificate of Land Bank Commissioner.**—Every farm loan bond issued by a Federal land bank shall be signed by its president or vice president and attested by its secretary or assistant secretary. For the purpose of signing such bonds the board of directors of any Federal land bank is authorized to select a vice president who need not be a member of the board of directors; such bonds shall also contain in the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of the Federal Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security of United States Government bonds, or first mortgages on farm lands, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Apr. 20, 1920, c. 154, § 6, 41 Stat. 571; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 75 (b), 80 (a), 48 Stat. 271, 273.) § 21

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 875 **Consolidated bonds; authority of Federal land banks to issue and sell.**—Whenever it shall appear desirable to issue consolidated bonds of the twelve Federal land banks and to sell them through a common selling agency, and the Federal land banks shall, by resolution, consent to the same, the banks may issue and sell said bonds as hereinafter provided. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.) § 21

§ 876 **Consolidated bonds; signature and attestation; joint and several obligations; recitals.**—Every bond so issued shall be signed by the Land Bank Commissioner and attested by any deputy land bank commissioner, and their signatures may § 21

be either written or engraved thereon and shall recite in the face of the bond the fact that it is the joint and several obligation of the twelve Federal land banks, and shall in all respects be governed by the provisions of the Federal Farm Loan Act not inconsistent herewith. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

§ 877 **Consolidated bonds; where payable.**—The consolidated bonds issued under this provision shall be made payable at any Federal land bank, and may be made payable at any Federal reserve bank or banks designated in the face of the bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.) § 21

§ 878 **Consolidated bonds; act of Commissioner binding on banks.**—Each Federal land bank on whose behalf consolidated bonds shall be issued under this provision shall in all respects be bound by the act of the Land Bank Commissioner and the [attesting] deputy land bank commissioner. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1925, c. 524, § 6, 43 Stat. 1264; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.) § 21

§ 879 **Consolidated bonds; action of directors respecting bond liability.**—Every Federal land bank, before participation in a consolidated issue, as herein provided, shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on Federal farm loan bonds as provided in sections 871–886, and be bound by the action of the Land Bank Commissioner and any deputy land bank commissioner in executing the same. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.) § 21

§ 880 **Certificate of Land Bank Commissioner.**—Every farm loan bond issued hereunder shall contain on the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of Title I of the Federal § 21

Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security consisting of obligations of the United States Government, or first mortgages on farm lands, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 75 (b), 80 (a) 48 Stat. 271, 273.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 881

Farm loan bonds, special provisions of; consolidated bonds; participation of Federal land bank in issue; collateral.—

§ 21

(a) **Approval of issue requisite; collateral to be held separate from collective security for individual bonds; payments on pledged mortgages as trust funds.**—When any Federal land bank shall desire to participate in a consolidated issue of farm loan bonds it shall make application to the Farm Credit Administration for the approval on its behalf of such issue and tender to the registrar approved farm mortgages, or obligations of the United States Government, as security therefor, and no banks shall participate in such consolidated issue until such application has been approved by the Farm Credit Administration. Such approved farm mortgages or obligations of the United States Government shall be held by each farm loan registrar as collateral security for consolidated bonds, separate and apart from the mortgages and/or Government bonds held by him as collective security for the bonds previously issued or assumed individually by the Federal land bank of his district. Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of consolidated farm loan bonds shall constitute a trust fund in the hands of the Federal land bank receiving the same and shall be applied or employed in the manner provided in sections 891–899 with respect to payments on principal of first mortgages held as collateral for farm loan bonds of individual banks. (July 17, 1916, c. 245, § 21, 39

Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

(b) Notice to registrar of disposition of payments on mortgages held as collateral; maintenance of collateral by banks.—Every Federal land bank shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held as collateral security for the issue of consolidated farm loan bonds, and said registrar is authorized, at his discretion to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. Each bank shall maintain with the farm loan registrar of its district collateral security for the issue of consolidated farm loan bonds in an amount at least equal to the face amount of such bonds issued on its behalf. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550.)

(c) Withdrawal of collateral on surrender of bonds.—When any Federal land bank shall surrender to the farm loan registrar of its district any consolidated Federal farm loan bonds, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds previously pledged as collateral in connection with any issue of consolidated farm loan bonds to an amount equal to the consolidated farm loan bonds so surrendered and it shall be the duty of such registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550.)

(d) Additional collateral; payment of bonds and coupons.—The Farm Credit Administration may at any time call upon any Federal land bank for additional security to protect the consolidated bonds issued under the provisions of this section. Each bank shall pay when due, without notice, all bonds and coupons issued on its behalf hereunder. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

(e) Power of Federal land bank to exchange consolidated bonds for individual bonds.—Every Federal land bank shall have power to exchange consolidated farm loan bonds for farm loan bonds previously issued or assumed by it individually, with approval of and under rules and regulations

promulgated by the Farm Credit Administration. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

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- § 882 **Consolidated bonds; failure of participating bank to pay interest or principal; liability of other banks.**—If any Federal land bank shall fail to pay its proportion of interest or principal as prescribed in section 881 (d) of this chapter, the Farm Credit Administration shall immediately call upon the other Federal land banks for the amount necessary to make said payment, the assessments to be made in proportion to the capital stock of each, which assessments shall be forthwith paid by said banks. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084.) § 21

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

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- § 883 **Bond committee.**—The presidents of the twelve Federal land banks shall constitute the bond committee of the Federal land banks and shall select a chairman from among their number. The vice president may act in place of the president on the president's request or in case he fails to act. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.) § 21

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- § 884 **Consolidated bonds; duties of bond committee.**—When an issue of consolidated bonds is contemplated, the bond committee shall determine the amount of such issue, the rate of interest which it is to bear, and the participation of the several banks therein, and submit their recommendations to the Farm Credit Administration for approval. When approved by the Farm Credit Administration the bonds shall be executed by the Land Bank Commissioner and any deputy land bank commissioner, as provided in section 876 of this chapter. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. § 21

6084; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 885 **Consolidated bonds; expenses.**—The expenses of the bond committee and of the sale of bonds shall be charged against the several land banks in proportion to their participation in the proceeds. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.) § 21

§ 886 **Compensation of members of bond committee.**—The presidents of the Federal land banks shall receive no additional compensation for their services as members of the bond committee, but shall be paid necessary traveling expenses. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.) § 21

APPLICATION OF AMORTIZATION AND INTEREST PAYMENTS

§ 891 **Payments upon mortgages pledged as collateral for bond issue; notice to registrar; cancellation of mortgage and discharge of lien upon full payment.**—Whenever any Federal land bank, or joint stock land bank, shall receive any interest, amortization, or other payments upon any first mortgage or bond pledged as collateral security for the issue of farm loan bonds, it shall forthwith notify the farm loan registrar of the items so received. Said registrar shall forthwith cause such payment to be duly credited upon the mortgage entitled to such credit. Whenever any such mortgage is paid in full, said registrar shall cause the same to be canceled and delivered to the proper land bank, which shall promptly satisfy and discharge the lien of record and transmit such canceled mortgage to the original maker thereof, or his heirs, administrators, executors, or assigns. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22

§ 892 **Withdrawal of collateral and substitution of other security.**—Upon written application by any Federal land bank, or joint stock land bank, to the § 22

farm loan registrar, it may be permitted, in the discretion of said registrar, to withdraw any mortgages or bonds pledged as collateral security under this chapter, and to substitute therefor other similar mortgages or United States Government bonds not less in amount than the mortgages or bonds desired to be withdrawn. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

- § 893 **Place and mode of payment of bonds or interest thereon; cancellation on payment.**—Whenever any farm loan bonds, or coupons or interest payments of such bonds, are due under their terms, they shall be payable at the land bank by which they were issued, in gold or lawful money, and upon payment shall be duly canceled by said bank. At the discretion of the Farm Credit Administration, payment of any farm loan bond or coupon or interest payment may, however, be authorized to be made at any Federal land bank, any joint stock land bank, or any other bank, under rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 22, 39 Stat. 378; Mar. 27, 1933, Ex. Or. 6084.) § 22

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 894 **Withdrawal of collateral security on surrender of bonds.**—When any land bank shall surrender to the proper farm loan registrar any farm loan bonds of any series, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds pledged as collateral security for any of said series of farm loan bonds to an amount equal to the farm loan bonds so surrendered, and it shall be the duty of said registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22
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- § 895 **Interest payments on pledged mortgages.**—Interest payments on hypothecated first mortgages shall be at the disposal of the land bank pledging the same, and shall be available for the payment of coupons and the interest of farm loan bonds as they become due. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22

§ 896 **Payment of bonds, coupons, and interest at maturity.**—Whenever any bond matures, or the interest on any registered bond is due, or the coupon on any coupon bond matures, and the same shall be presented for payment as provided in this subchapter, the full face value thereof shall be paid to the holder. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22

§ 897 **Payment of bonds, coupons, and interest at maturity; trust fund from payments on mortgages held as collateral.**—Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of farm loan bonds shall constitute a trust fund in the hands of the Federal land bank or joint stock land bank receiving the same, and shall be applied or employed as follows: § 22

In the case of a Federal land bank—

(a) To pay off farm loan bonds issued by or in behalf of said bank as they mature.

(b) To purchase at or below par Federal farm loan bonds.

(c) To loan on first mortgages on farm lands within the land bank district, qualified under this chapter as collateral security for an issue of farm loan bonds.

(d) To purchase United States Government bonds.

(e) To purchase Federal Farm Mortgage Corporation bonds.

In the case of a joint stock land bank—

(a) To pay off farm loan bonds issued by said bank as they mature.

(b) To purchase at or below par farm loan bonds.

(c) To loan on first mortgages qualified under sections 811–821 of this chapter.

(d) To purchase United States Government bonds. (July 17, 1916, c. 245, § 22, 39 Stat. 378; Mar. 4, 1923, c. 252, § 309, 42 Stat. 1477; Jan. 31, 1934, c. 7, § 8 (b), 48 Stat. 347.)

New loans by joint stock land banks prohibited after May 12, 1933, except in circumstances permitted under § 810 of this chapter.

§ 898 **Payment of bonds, coupons, and interest at maturity; deposit of trust funds with registrars as substituted collateral security.**—The farm loan bonds, first mortgages, United States Government bonds, or cash constituting the trust funds aforesaid, shall be forthwith deposited with the farm loan § 22

registrar as substituted collateral security in place of the sums paid on the principal of indorsed mortgages held by him in trust. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

§ 899

Payment of bonds, coupons, and interest at maturity; notice to registrar of disposition of principal payments on mortgages held as collateral; transfer to registrar on demand.—Every Federal land bank, or joint stock land bank, shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held as collateral security for an issue of farm loan bonds, and said registrar is authorized, at his discretion, to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

§ 22

RESERVES AND DIVIDENDS OF LAND BANKS

§ 901

Amount carried to reserve account; making good impairment; debit to reserve account.—

§ 23

(a) **Federal land banks; amount carried to reserve; making good impairment.**—Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13.)

(b) **Joint stock land banks; amount carried to reserve; making good impairment.**—Every joint stock land bank shall semiannually carry to reserve account 25 per centum of its net earnings until said reserve account shall show a credit balance equal to 20 per centum of the outstanding capital stock of said land bank. After said reserve has reached the sum of 20 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be annually added thereto. Whenever said reserve shall have been impaired, said balance of 20 per centum shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

(c) **Debit to reserve account.**—For the period of two years from the date when any default occurs in the payment to any land bank of the interest, amortization installments, or principal on any first mortgage, by both mortgagor and indorser, the amount so defaulted shall be carried to a suspense account, and at the end of the two-year period specified, unless collected, shall be debited to reserve account. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

§ 902 **Dividends on balance of net earnings; investment of reserves.**—

§ 23

(a) **Federal land bank dividends.**—After deducting the 50 per centum or the 10 per centum directed to be deducted for credit to reserve account by section 901 of this chapter, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13; Mar. 27, 1933, Ex. Or. 6084.)

(b) **Joint stock land bank dividends.**—After deducting the 25 per centum or the 5 per centum directed to be deducted for credit to reserve account by section 901 of this chapter, any joint stock land bank may declare a dividend to shareholders of the whole or any part of the balance of its net earnings: *Provided*, That any dividend or dividends declared by any joint stock land bank shall be subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (b), 47 Stat. 13; Mar. 27, 1933, Ex. Or. 6084.)

(c) **Investment of reserves.**—The reserves of land banks shall be invested in accordance with rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

**RESERVES AND DIVIDENDS OF NATIONAL FARM
LOAN ASSOCIATIONS**

§ 911 **Amount carried to reserve account.**—Every national farm loan association shall, out of its net earnings, semiannually carry to reserve account a sum not less than 10 per centum of such net earn-

§ 24

ings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be semiannually added thereto. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.)

§ 912 **Making good impairment of reserve.**—Whenever the reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.) § 24

§ 913 **Dividends on balance of net earnings.**—After deducting the 10 per centum or the 5 per centum hereinbefore directed to be credited to reserve account, said association may at its discretion declare a dividend to shareholders of the whole or any part of the balance of said net earnings: *Provided*, That the declaration and payment of any such dividend shall be subject to the approval of the Land Bank Commissioner. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13; June 3, 1935, c. 164, § 4, 49 Stat. 315.) § 24

§ 914 **Investment of reserves.**—The reserves of farm loan associations shall be invested in accordance with rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Mar. 27, 1933, Ex. Or. 6084.) § 24

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 915 **Disposition of reserve on liquidation.**—Whenever any farm loan association shall be voluntarily liquidated a sum equal to its reserve account as herein required shall be paid to and become the property of the Federal land bank in which such loan association may be a shareholder. (July 17, 1916, c. 245, § 24, 39 Stat. 379.) § 24

DEFAULTED FARM LOANS

- § 921 **Mortgage held by Federal land bank; notice to indorsing association; making good default.**—If there shall be default under the terms of any indorsed first mortgage held by a Federal land bank under the provisions of this chapter the national farm loan association through which said mortgage was received by said Federal land bank shall be notified of said default. Said association may thereupon be required, within 30 days after such notice, to make good such default, either by payment of the amount unpaid thereon in cash or by the substitution of an equal amount of Federal farm loan bonds, with all unmatured coupons attached. (July 17, 1916, c. 245, § 25, 39 Stat. 380; Mar. 4, 1923, c. 252, § 310, 42 Stat. 1477.)
- § 25

EXEMPTION FROM TAXATION

- § 931 **Federal land banks; national farm loan associations; mortgages and bonds as instrumentalities of Government.**—Every Federal land bank and every national farm loan association, including the capital and reserve or surplus therein and the income derived therefrom, shall be exempt from Federal, State, municipal, and local taxation, except taxes upon real estate held, purchased, or taken by said bank or association under the provisions of sections 761 and 781 of this chapter. First mortgages executed to Federal land banks, or to joint stock land banks, and farm loan bonds issued under the provisions of this chapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation. (July 17, 1916, c. 245, § 26, 39 Stat. 380.)
- § 26

- § 932 **Joint stock land banks; State taxation of shareholder, limitations on.**—Nothing herein shall prevent the shares in any joint stock land bank from being included in the valuation of the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which the bank is located; but such assessment and taxation shall be in manner and subject to the conditions and limitations contained
- § 26

in section 548 of Title 12 [U. S. Code] with reference to the shares of national banking associations. (July 17, 1916, c. 245, § 26, 39 Stat. 380.)

- § 933 **Federal and joint stock land banks; real property not exempt.**—Nothing herein shall be construed to exempt the real property of Federal and joint stock land banks and national farm loan associations from either State, county, or municipal taxes, to the same extent, according to its value, as other real property is taxed. (July 17, 1916, c. 245, § 26, 39 Stat. 380.) § 26
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INVESTMENT IN FARM LOAN BONDS

- § 941 **Fiduciary and trust funds; security for public deposits.**—Farm loan bonds issued under the provisions of this chapter by Federal land banks or joint stock land banks shall be a lawful investment for all fiduciary and trust funds, and may be accepted as security for all public deposits. (July 17, 1916, c. 245, § 27, 39 Stat. 380.) § 27
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- § 942 **Buying and selling by member banks of Federal reserve system.**—Any member bank of the Federal reserve system may buy and sell farm loan bonds issued under the authority of this chapter. (July 17, 1916, c. 245, § 27, 39 Stat. 380.) § 27
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- § 943 **Buying and selling by reserve banks.**—Any Federal reserve bank may buy and sell farm loan bonds issued under this chapter to the same extent and subject to the same limitations placed upon the purchase and sale by said banks of State, county, district, and municipal bonds under section 14 (b) of the Federal Reserve Act of December 23, 1913 [section 355 of chapter 3 of Title 12, U. S. Code]. (July 17, 1916, c. 245, § 27, 39 Stat. 380.) § 27
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EXAMINATIONS

- § 951 **Land bank examiners; appointment; number.**—The Farm Credit Administration shall appoint as many land bank examiners as in its judgment may be required to make careful examinations § 28

of the banks and associations permitted to do business under this subchapter and subchapter III of this chapter. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 952 **Requirements, responsibilities, and penalties applicable to examiners; examinations; reports.**—Land bank examiners shall be subject to the same requirements, responsibilities, and penalties as are applicable to national bank examiners under chapters 2 and 3 of Title 12 [U. S. Code] and other provisions of law. Whenever directed by the Farm Credit Administration, said examiners shall examine the condition of any national farm loan association and report the same to the Land Bank Commissioner. They shall examine and report the condition of every Federal land bank and joint stock land bank at least twice each year. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 28

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 953 **Salaries of examiners.**—Land bank examiners shall receive salaries to be fixed by the Farm Credit Administration. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.) § 28

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter. For assessments on banks for amount of salaries and expenses, see § 657 of this chapter.

DISSOLUTION AND APPOINTMENT OF RECEIVERS

§ 961 **National farm loan associations; institution and conduct of receivership; duties and powers of receivers.**—Upon receiving satisfactory evidence that any national farm loan association has failed to meet its outstanding obligations of any description the Farm Credit Administration may forthwith declare such association insolvent and appoint a receiver and require of him such bond and security as it deems proper: *Provided*, That no national farm loan association shall be declared insolvent by § 29

said administration until the total amount of defaults of current interest and amortization installments on loans indorsed by national farm loan associations shall amount to at least \$150,000 in the Federal land bank district, unless such association shall have been in default for a period of two years. Such receiver, under the direction of the Farm Credit Administration, shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to it, and, with the approval of the Farm Credit Administration, or upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like approval or order, may sell all the real and personal property of such association, on such terms as the Farm Credit Administration or said court shall direct. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board”, respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 962 **Disposition of moneys collected by receiver; reports.**—Such receiver shall pay over all money so collected to the Treasurer of the United States, subject to the order of the Farm Credit Administration, and also make report to said administration of all his acts and proceedings. The Secretary of the Treasury shall have authority to deposit at interest any money so received. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.) § 29

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board”, respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 963 **Federal and joint stock land banks; institution and conduct of receivership.**—Upon default of any obligation, Federal land banks and joint stock land banks may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961–967 regarding national farm loan associations. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.) § 29

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 963a **Authorization to receiver to borrow money for paying taxes on real estate.**—Any receiver appointed by the Farm Credit Administration pursuant to sections 961–967 of this chapter, as amended, or any receiver appointed by a district court of the United States, is authorized, for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it, with the approval of the Land Bank Commissioner, to borrow from the Reconstruction Finance Corporation and to issue receiver's certificates against the assets of such bank as security for any loan received from the Corporation under this section, and such certificates shall constitute a prior lien on such assets. The Reconstruction Finance Corporation is authorized to make loans to such receivers for the purposes of this section. (Mar. 27, 1933, Ex. Or. 6084; May 12, 1933, c. 25, § 27, 48 Stat. 45; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 964 **National farm loan associations; disposition of stock in Federal land bank.**—If any national farm loan association shall be declared insolvent and a receiver shall be appointed therefor by the Farm Credit Administration, the stock held by it in the Federal land bank of its district shall be canceled without impairment of its liability and all payments on such stock, with accrued dividends, if any, since the date of the last dividend shall be first applied to all debts of the insolvent farm loan association to the Federal land bank and the balance, if any, shall be paid to the receiver of said farm loan association: *Provided*, That in estimating said debts contingent liabilities incurred by national farm loan associations under the provisions of this chapter on account of default of principal or interest of indorsed mortgages shall be estimated and included as a debt, and said contingent liabilities shall be determined by agreement between the receiver and the Federal land bank of the district, subject to the approval of the Farm Credit Administration, and if said receiver and said land bank cannot agree, then by the decision of the Land Bank Commissioner, and the amount thus ascertained shall be deducted in accordance with the provisions of this section from the amount otherwise due said national farm loan association for said

§ 29 .

canceled stock. Whenever the capital stock of a Federal land bank shall be reduced, the board of directors shall cause to be executed a certificate to the Farm Credit Administration, showing such reduction of capital stock, and, if said reduction shall be due to the insolvency of a national farm loan association, the amount repaid to such association. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 965	Voluntary liquidation; consolidation of farm loan associations.—No national farm loan association, Federal land bank or joint stock land bank shall go into voluntary liquidation without the written consent of the Farm Credit Administration, but national farm loan associations may consolidate under rules and regulations promulgated by the Farm Credit Administration. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.)	§ 29
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“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For limitations on new business of joint stock land banks, and provisions for assisting in their orderly liquidation, see § 810 and § 823 (note), of this chapter.

§ 966	National farm loan associations; disposition of stock in Federal land bank upon voluntary liquidation; personal liability of members.—Upon liquidation of any national farm loan association, the stock in the Federal land bank held by such association shall be canceled and the Federal land bank shall thereupon issue to the borrowers through such association an amount of stock in the Federal land bank equal to the amount of stock held by such borrowers in the liquidated association, such stock to be held by the bank as collateral to the loans of such borrowers and to be paid off and retired at par in the same manner as stock held by borrowers in farm loan associations, and the Federal land bank shall pay to the borrowers holding such stock the same dividends as are paid to national farm loan associations by such bank. The personal liability of the stockholders in such liquidated association to the association shall survive such liquidation and shall be vested in the bank in that district,	§ 29
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which may enforce the same as fully as the association could if in existence. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 4, 1923, c. 252, § 311, 42 Stat. 1478.)

STATE LEGISLATION IMPAIRING SECURITY OF FARM LOANS

- § 971 **Examination to ascertain adequacy of safeguards to mortgagee.**—It shall be the duty of the Land Bank Commissioner to make examination of the laws of every State of the United States and to inform the Farm Credit Administration as rapidly as may be whether in his judgment the laws of each State relating to the conveying and recording of land titles, and the foreclosure of mortgages or other instruments securing loans, as well as providing homestead and other exemptions and granting the power to waive such exemptions as respects first mortgages, are such as to assure the holder thereof adequate safeguards against loss in the event of default on loans secured by any such mortgages. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 30

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 972 **Effect of insufficient protection on mortgages covering land in State; assistance in examining laws.**—Pending the making of such examination in the case of any State, the Farm Credit Administration may declare first mortgages on farm lands situated within such State ineligible as the basis for an issue of farm loan bonds; and if said examination shall show that the laws of any such State afford insufficient protection to the holder of first mortgages of the kinds provided in this subchapter, said Farm Credit Administration may declare said first mortgages on land situated in such State ineligible during the continuance of the laws in question. In making his examination of the laws of the several States and forming his conclusions thereon said Land Bank Commissioner may call upon the office of the Attorney General of the United States for any needed legal advice or assistance, or may employ special counsel in any State where he considers such action necessary. § 30

(July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 973 **Statement to State Executive.**—At the request of the Executive of any State the Farm Credit Administration shall prepare a statement setting forth in what respects the requirements of said administration cannot be complied with under the existing laws of such State. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084.) § 30

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

PENALTIES

§ 981 **False statements in applications for loans; willful overvaluation of land; acceptance of loan or gratuity by examiners.**—Any applicant for a loan under this subchapter, or officer or representative of any such applicant, who shall knowingly make any false statement in the application for such loan, and any member of a loan committee or any appraiser provided for in this subchapter who shall willfully overvalue any land offered as security for loans under this subchapter, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both. Any examiner appointed under this subchapter who shall accept a loan or gratuity from any land bank or national farm loan association examined by him, or from any person connected with any such bank or association in any capacity, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as an examiner under the provisions of this subchapter. No examiner, while holding such office, shall perform any other service for compensation for any bank or banking or loan association, or for any person connected therewith in any capacity. (July 17, 1916, c. 245, § 31, 39 Stat. 382; June 3, 1935, c. 164, § 21, 49 Stat. 319.) § 31

§ 982 **Falsely making, forging, or counterfeiting bonds or coupons; passing false bonds or coupons; falsely altering.**—Any person who shall falsely make, forge, or counterfeit, or cause or procure to be falsely made, forged, or counterfeited, or willingly aid or assist in falsely making, forging, or counterfeiting any bond, coupon, or paper in imitation of, or purporting to be in imitation of, the bonds or coupons issued by any land bank or national farm loan association, now or hereafter authorized and acting under the laws of the United States; or any person who shall pass, utter, or publish, or attempt to pass, utter, or publish any false, forged, or counterfeited bond, coupon, or paper purporting to be issued by any such bank or association, knowing the same to be falsely made, forged, or counterfeited; or whoever shall falsely alter, or cause or procure to be falsely altered, or shall willingly aid or assist in falsely altering any such bond, coupon, or paper, or shall pass, utter, or publish as true any falsely altered or spurious bond, coupon, or paper issued, or purporting to have been issued, by any such bank or association, knowing the same to be falsely altered or spurious, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding five years, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

§ 983 **Charging or receiving unauthorized fee or commission; disclosing names of borrowers.**—Other than the usual salary or director's fee paid to any officer, director, or employee of a national farm loan association, a Federal land bank, or a joint stock land bank, and other than a reasonable fee paid by such association or bank to any officer, director, attorney, or employee for services rendered, no officer, director, attorney, or employee of an association or bank organized under this subchapter shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of such association or bank. No land bank or national farm loan association organized under this subchapter shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized. No examiner, public or private, shall disclose the names of borrowers to other than the proper officers of a national farm loan association or land bank without

first having obtained express permission in writing from the Lank Bank Commissioner or from the board of directors of such association or bank, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress or of either House duly authorized. Any person violating any provision of this paragraph shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 984 **Fraud and embezzlement.**—Any person connected in any capacity with any national farm loan association, Federal land bank, or joint stock land bank, who embezzles, abstracts, or willfully misapplies any moneys, funds, or credits thereof, or who without authority from the directors draws any order, assigns any note, bond, draft, mortgage, judgment, or decree thereof, or who makes any false entry in any book, report, or statement of such association or land bank with intent in either case to defraud such institution or any other company, body politic or corporate, or any individual person, or to deceive any officer of a national farm loan association or land bank or any agent appointed to examine into the affairs of any such association or bank, and every person who with like intent aids or abets any officer, clerk, or agent in any violation of this section, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding five years, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

§ 985 **False pretenses as to character of bonds or coupons.**—Any person who shall deceive, defraud, or impose upon, or who shall attempt to deceive, defraud, or impose upon, any person, firm, or corporation by making any false pretense or representation regarding the character, issue, security, or terms of any farm loan bond, or coupon, issued under the terms of this subchapter; or by falsely pretending or representing that any farm loan bond, or coupon, issued under the terms of this subchapter by one class of land banks is a farm loan bond, or coupon, issued by another class of banks; or by falsely pretending or representing that any farm loan bond, or coupon, issued under the terms

of this subchapter, or anything contained in said farm loan bond, or coupon, is anything other than, or different from, what it purports to be on the face of said bond or coupon, shall be fined not exceeding \$500 or imprisoned not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

The following acts constitute misdemeanors, and the commission of any such acts subjects any person to fine or imprisonment, under the provisions of an Act of May 24, 1926, which are included in §§ 583–588 of chapter 5 of Title 12 [U. S. Code]: For any bank, banking association, trust company, corporation, association, firm, partnership, or person not organized under the provisions of chapter 7 of Title 12 [U. S. Code] to advertise or represent that it makes Federal farm loans or advertise or offer for sale as Federal farm loan bonds any bond not issued under the provisions of chapter 7 of Title 12 [U. S. Code], or make any use of the word “Federal” or the words “United States”, or any other word or words implying governmental ownership, obligation or supervision in advertising, or offering for sale any bond, note, mortgage, or other security not issued by the Government of the United States or under the provisions of said chapter 7, or some other Act of Congress.

§ 986 **Detection and arrest of violators.**—The Secretary of the Treasury is hereby authorized to direct and use the Secret Service Division of the Treasury Department to detect, arrest, and deliver into custody of the United States marshal having jurisdiction, any person or persons violating any of the provisions of sections 981–987. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

§ 987 **False statements by mortgagee relating to sale of mortgage to Federal land bank; overvaluation of land securing such mortgage.**—Any mortgagee who shall knowingly make any false statement in any paper, proposal, or letter, relating to the sale of any mortgage, to any Federal land bank under the provisions of section 781 of this chapter, or any appraiser provided for in this subchapter who shall willfully overvalue any land securing such mortgage, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382; June 16, 1933, c. 98, § 78, 48 Stat. 272.) § 31

GOVERNMENT DEPOSITS IN LAND BANKS

§ 991 **Interest rate; security; maximum amount.**— § 32
The Secretary of the Treasury is authorized, in his discretion, upon the request of the Farm Credit Administration, to make deposits for the temporary use of any Federal land bank, out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the

Treasury a certificate of indebtedness for any such deposit, bearing a rate of interest not to exceed the current rate charged for other Government deposits, to be secured by farm loan bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the discretion of the Secretary of the Treasury. The aggregate of all sums so deposited by the Secretary of the Treasury shall not exceed the sum of \$6,000,000 at any one time. (July 17, 1916, c. 245, § 32, 39 Stat. 384; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Federal land banks as depositaries of public money, see § 701 of this chapter.

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Government guaranty of interest on qualified Federal land bank bonds issued during limited period; use of proceeds of such bonds; limitation on aggregate amount of such bonds; payment of interest by Government upon inability of issuing bank; rights of Government after such payment.—Until such time as the Land Bank Commissioner determines that Federal farm loan bonds (other than those issued under this paragraph) are readily salable in the open market at a yield not in excess of 4 per centum per annum, but in no case more than two years after May 12, 1933, Federal land banks may issue farm loan bonds as authorized under this subchapter, for the purpose of making new loans, or for purchasing mortgages or exchanging bonds for mortgages as provided in paragraph "Second" of section 781 of this chapter. The aggregate amount of the bonds issued under this paragraph shall not exceed \$2,000,000,000, and such bonds shall be issued in such denominations as the Land Bank Commissioner shall prescribe, shall bear interest at a rate not in excess of 4 per centum per annum, and shall be fully and unconditionally guaranteed as to interest by the United States, and such guaranty shall be expressed on the face thereof. In the event that it shall appear to the Land Bank Commissioner that the issuing bank or banks will be unable to pay upon demand, when due, the interest on any such bonds, the Secretary of the Treasury shall, upon the request of the Commissioner, pay the amount thereof, which is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated. Upon the payment of such interest by the Secretary of

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the Treasury the amount so paid shall become an obligation to the United States of the issuing bank or banks and shall bear interest at the same rate as that borne by the bonds upon which the interest has been so paid. After the expiration of one year from May 12, 1933, if in the opinion of the Land Bank Commissioner any part of the proceeds of the bonds authorized to be issued under this paragraph is not required for the purpose of making new loans or for purchasing mortgages or exchanging bonds for mortgages as herein provided, such bonds may be issued within the maximum limit herein specified for the purpose of refinancing any outstanding issues of Federal farm loan bonds; but no such bonds shall be issued after two years from May 12, 1933, for the purpose of such refinancing. (July 17, 1916, c. 245, § 32, 39 Stat. 384; May 12, 1933, c. 25, § 21, 48 Stat. 41; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

Limitation on issuance of bonds under this section, see § 992a of this chapter.

§ 992a **Limitation of section 992.**—After ninety days after January 31, 1934, no Federal land bank shall issue any bonds under the provisions of section 992 of this chapter, subject to the guarantee of interest on such bonds by the United States except for the purpose of refinancing any bond which is or has been issued subject to such guarantee of interest. (Jan. 31, 1934, c. 7, § 5, 48 Stat. 346.)

§ 993 **Bonds issued under section 992; delivery in payment of certain mortgages.**—Any borrower who obtains a loan from a Federal land bank after May 12, 1933, may, at any time after the expiration of five years from the date such loan was made, tender to such bank on any regular installment date, bonds issued under section 992 in an amount not to exceed the unpaid principal of his loan, and the bonds so tendered shall be accepted by the bank at par in payment of any part of such unpaid principal. (July 17, 1916, c. 245, § 32, 39 Stat. 384; May 12, 1933, c. 25, § 21, 48 Stat. 41.)

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LIMITATION OF COURT DECISIONS

§ 1011 **Limitation of court decisions respecting validity of provisions.**—If any clause, sentence, paragraph, or part of this subchapter or of subchapter

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III hereof shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said subchapters, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered. (July 17, 1916, c. 245, § 34, 39 Stat. 384; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454.)

AMENDMENTS TO CHAPTER

- § 1012 **Reservation of right to amend.**—The right to amend, alter, or repeal this subchapter or subchapter III of this chapter is hereby expressly reserved. (July 17, 1916, c. 245, § 35, 39 Stat. 384; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454.)
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SUBCHAPTER II—LOANS TO FARMERS BY LAND BANK COMMISSIONER

- § 1016 **Loans to farmers by Land Bank Commissioner; provisions governing—(a) Funds available to Commissioner; security for Commissioner's loans.**—The Reconstruction Finance Corporation is authorized and directed to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans as hereinafter provided to any farmer, secured by a first or second mortgage upon the whole or any part of the farm property, real or personal, including crops, of the farmer. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)
- (b) Maximum loan; value of security for loan; valuation of farm property.**—The amount of the mortgage given by any farmer, together with all prior mortgages or other evidences of indebtedness secured by such farm property of the farmer, shall not exceed 75 per centum of the normal value thereof, as determined upon an appraisal made pursuant to the preceding subchapter; nor shall a loan in excess of \$7,500, be made to any one farmer. For the purposes of this section, farm property may be valued at an amount representing a prudent investment, consistent with community standards and rentals, if (1) the person occupying the property is not entirely dependent upon farm in-

§ 1016 come for his livelihood but receives a part of his income from other dependable sources, and (2) the farm income from the property, together with earnings from other dependable sources ordinarily available in the community to a person operating such property, would be sufficient to support his family, to pay operating expenses and fixed charges, and to discharge the interest and amortization payments on the loan. (May 12, 1933, c. 25, § 32, 48 Stat. 48; Jan. 31, 1934, c. 7, § 10, 48 Stat. 347; May 28, 1935, c. 150, § 32, 49 Stat. 300.)

(c) Provisions to be included in mortgage; interest rate; repayment of principal in installments; maximum terms of loans as affected by character of security; privilege of deferring principal payments during first three years of loan.—Every mortgage made under this section shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments, sufficient to cover (1) interest on unpaid principal at a rate not to exceed 5 per centum per annum and (2) such payments equal in amount to be applied on principal as will extinguish the debt within an agreed period of not more than ten years or, in the case of a first or second mortgage secured wholly by real property within an agreed period no greater than that for which loans may be made under the preceding subchapter, from the date the first payment on principal is due: *Provided*, That during the first three years the loan is in effect payments of interest only may be required if the borrower shall not be in default with respect to any other condition or covenant of his mortgage. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 3, 1935, c. 164, § 2 (a), 49 Stat. 313.)

(d) Requirement of waiver by prior lien holder.—No loan shall be made under this section unless the holder of any prior mortgage or instrument of indebtedness secured by such farm property arranges to the satisfaction of the Land Bank Commissioner to limit his right to proceed against the farmer and such farm property for default in payment of principal. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(e) Purposes of loans.—Loans may be made under this section for any of the purposes for which Federal land banks are authorized by law to make loans, and for the following additional purpose, and none other: Refinancing, either in connection with

proceedings under chapter VIII of the Bankruptcy Act of July 1, 1898, as amended, or otherwise, any indebtedness, secured or unsecured, of the farmer, or which is secured by a lien on all or any part of the farm property accepted as security for the loan. The provisions of paragraph "Ninth" of section 781 of this chapter, as amended (relating to charges to applicants for loans and borrowers from the Federal land banks), shall, so far as practicable, apply to loans made under this section. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 11, 1934, c. 446, 48 Stat. 929; June 3, 1935, c. 164, § 2 (b), 49 Stat. 313.)

(f) Definitions; loans to corporations; exceptions.—As used in this section, (1) the term "farmer" means any person who is at the time, or shortly to become, bona fide engaged in farming operations, either personally or through an agent or tenant, or the principal part of whose income is derived from farming operations or livestock raising, and includes a personal representative of a deceased farmer; (2) the term "person" includes an individual or a corporation engaged in the raising of livestock; and (3) the term "corporation" includes any incorporated association; but no such loan shall be made to a corporation (A) unless all the stock of the corporation is owned by individuals themselves personally actually engaged in the raising of livestock on the land to be mortgaged as security for the loan, except in a case where the Land Bank Commissioner permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 3, 1935, c. 164, § 2 (c), 49 Stat. 313.)

(g) Loans by Commissioner on behalf of Federal Farm Mortgage Corporation; loans in cash or bonds; amount available.—Until February 1, 1940, the Land Bank Commissioner shall, in his name, make loans under this section on behalf of the Federal Farm Mortgage Corporation, and may make such loans in cash or in bonds of the corporation, or if acceptable to the borrower, in consolidated farm loan bonds; but no such loans shall be

made by him after February 1, 1940, except for the purpose of refinancing loans previously made by him under this section. As much as may be necessary of the assets of the corporation, including the bonds (and proceeds thereof) issued under section 1020c of this chapter, may be used for the purposes of this section. (May 12, 1933, c. 25, § 32, 48 Stat. 48; Jan. 31, 1934, c. 7, § 9, 48 Stat. 347; June 3, 1935, c. 164, § 2 (d), 49 Stat. 314.)

(h) Execution of instruments by Federal land banks; presumption of authority.—Any Federal land bank, when duly authorized by the Land Bank Commissioner and the Federal Farm Mortgage Corporation, shall have the power to execute any instrument relating to any mortgage taken to secure a loan made or to be made under this section, or relating to any property included in any such mortgage, or relating to any property acquired by the Land Bank Commissioner and/or the Federal Farm Mortgage Corporation. Any such instrument heretofore or hereafter executed on behalf of the Land Bank Commissioner and/or the Federal Farm Mortgage Corporation by a Federal land bank, through its duly authorized officers, shall be conclusively presumed to have been duly authorized by the Land Bank Commissioner and the Federal Farm Mortgage Corporation. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 3, 1935, c. 164, § 2 (e), 49 Stat. 314.)

In connection with Commissioner's loans in Puerto Rico, see note * to § 672 of this chapter.

Commissioner loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this chapter.

§ 1017 Rules and regulations; appointment, employment, and compensation of officers, employees, and agents.—The Land Bank Commissioner is authorized to make such rules and regulations, and to appoint, employ, and fix the compensation of such officers, employees, attorneys, and agents as may be necessary to carry out the purposes of this subchapter and to make the relief contemplated by this subchapter immediately available, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States: *Provided*, That no salary or compensation in excess of \$10,000 shall be paid to any person employed under the terms of the foregoing section. (May 12, 1933, c. 25, § 33, 48 Stat. 49; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 1018 **Facilities of Federal land banks and national farm loan associations available to Commissioner.**—The Federal land banks and the national farm loan associations are authorized, upon request of the Land Bank Commissioner, to make available to him their services and facilities to aid in administering the provisions of this subchapter. (May 12, 1933, c. 25, § 34, 48 Stat. 49; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 1019 **Penalties for false representation in obtaining loan.**—Any person who shall knowingly make any material false representation for the purpose of obtaining any loan under this subchapter, or in assisting in obtaining any such loan, shall, upon conviction thereof, be fined not more than \$1,000, or imprisoned not more than six months, or both. (May 12, 1933, c. 25, § 35, 48 Stat. 49.)

SUBCHAPTER II-A.—FEDERAL FARM MORTGAGE CORPORATION

§ 1020 **Establishment of corporation; directors; by-laws; regulations; officers and employees.**—There is hereby established a corporation to be known as the “Federal Farm Mortgage Corporation”, in this subchapter referred to as the “corporation.” The principal office of the corporation shall be located in the District of Columbia and the management of the corporation shall be vested in a board of directors consisting of the Secretary of the Treasury, or an officer of the Treasury designated by him, the Governor of the Farm Credit Administration, in this subchapter referred to as the “Governor”, and the Land Bank Commissioner. The directors shall receive no additional compensation for their services as directors of the corporation, but may be allowed actual necessary traveling and subsistence expenses when engaged in the business of the corporation outside of the District of Columbia. The Governor shall be the chairman of the board of directors. The directors shall have power to adopt such bylaws, rules, regulations, and amendments thereto as they deem necessary for the conduct of the business of the corporation authorized under this subchapter. The

directors shall have power, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States, to employ and fix the compensation and duties of such agents, officers, and employees of the corporation as may be necessary to carry out the powers and duties conferred upon the corporation by this subchapter, to require bonds of them and fix the penalties thereof and dismiss them at pleasure, and to prescribe the manner in which the obligations of the corporation shall be incurred and its expenses allowed and paid, but the rates of compensation of such agents, officers, and employees of the corporation shall not exceed the rates of compensation prescribed for comparable duties by chapter 13 of Title 5 [U. S. Code]. (Jan. 31, 1934, c. 7, § 1, 48 Stat. 344.)

§ 1020a **Period of succession; powers; free use of mails; use of Government facilities.**—The corporation shall have succession until dissolved by Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, and to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of its business; and shall have such other powers as may be necessary and incident to carrying out its powers and duties under this subchapter. The corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The corporation, with the consent of any board, commission, independent establishment, or executive department of the Government, may avail itself of the use of information, services, facilities, officers, agents, and employees thereof, in carrying out the provisions of this subchapter. (Jan. 31, 1934, c. 7, § 2, 48 Stat. 345.)

§ 1020b **Capital; amount; subscription by United States.**—The capital of the corporation shall be in the sum of \$200,000,000, which shall be subscribed by the Governor on behalf of the United States in such amounts and at such times as he deems necessary for the purposes of the corporation. For the purpose of such capital subscription,

the funds and proceeds thereof made available to the Land Bank Commissioner under section 1016 of this chapter and the mortgages taken by the Commissioner and the credit instruments secured thereby are hereby transferred to the corporation. (Jan. 31, 1934, c. 7, § 3, 48 Stat. 345.)

§ 1020c **Bonds, aggregate amount; guaranty by United States; purchase and sale of by United States; exchange of for consolidated farm loan bonds.—** With the approval of the Secretary of the Treasury, the corporation is authorized to issue and have outstanding at any one time bonds in an aggregate amount not exceeding \$2,000,000,000. Such bonds shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices, as may be prescribed by the corporation, with the approval of the Secretary of the Treasury. Such bonds shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof, and such bonds shall be lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In the event that the corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such bonds, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such bonds. The Secretary of the Treasury, in his discretion, is authorized to purchase any bonds of the corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities hereafter issued under sections 747, 752–754, 757, 758, 760, 764–766, 769, 771, 773, 774 (2), and 801 of Title 31 [U. S. Code], and the purposes for which securities may be issued under such sections are extended to include any purchases of the corporation's bonds hereunder. The Secretary of the Treasury may, at any time, sell any of the bonds of the corporation acquired by him under this sec-

tion. All redemptions, purchases, and sales by the Secretary of the Treasury of the bonds of the corporation shall be treated as public debt transactions of the United States. No such bonds shall be issued in excess of the assets of the corporation, including the assets to be obtained from the proceeds of such bonds, but a failure to comply with this provision shall not invalidate the bonds or the guaranty of the same. The corporation shall have power to purchase such bonds in the open market at any time and at any price. On such terms and conditions as may be agreed upon, the corporation may exchange such bonds, upon application of any Federal land bank for consolidated farm loan bonds of equal face value issued under subchapter I of this chapter, and may exchange such consolidated farm loan bonds held by it for bonds of the corporation of equal face value. (Jan. 31, 1934, c. 7, § 4 (a), 48 Stat. 345; April 27, 1934, c. 168, § 14, 48 Stat. 647.)

§ 1020d **Purchase of consolidated farm loan bonds; loans to Federal land banks; investment in mortgages.**—The corporation is further authorized to purchase from time to time, for cash, such consolidated farm loan bonds at such prices and upon such terms as may be approved by the board of directors of the corporation, to make loans to Federal land banks on the security of such consolidated bonds, and to invest its funds in mortgage loans made under section 1016 of this chapter. (Jan. 31, 1934, c. 7, § 4 (b), 48 Stat. 346.)

§ 1020e **Preparation of bonds.**—In order to furnish bonds for delivery by the Federal Farm Mortgage Corporation, the Secretary of the Treasury is hereby authorized to prepare suitable bonds in such form, subject to the provisions of this subchapter, as the board of directors may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the corporation. The engraved plates, dies, bedpieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The corporation shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such bonds. (Jan. 31, 1934, c. 7, § 4 (c), 48 Stat. 346.)

§ 1020f **Exemptions from taxation.**—(a) The corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(b) Mortgages executed to the Land Bank Commissioner and mortgages held by the corporation, and the credit instruments secured thereby, and bonds issued by the corporation under the provisions of this subchapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation (except surtaxes, estate, inheritance, and gift taxes). (Jan. 31, 1934, c. 7, § 12, 48 Stat. 347; Feb. 26, 1934, c. 33, 48 Stat. 360.)

§ 1020g **Severability clause; reservation of right to amend.**—(a) If any provision of this subchapter, or the application thereof to any person or circumstances, is held invalid, the remainder of the subchapter, and the application of such provision to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this subchapter is hereby expressly reserved. (Jan. 31, 1934, c. 7, § 17, 48 Stat. 348.)

§ 1020h **Citation of subchapter.**—This subchapter may be cited as the “Federal Farm Mortgage Corporation Act”. (Jan. 31, 1934, c. 7, § 18, 48 Stat. 349.)



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no. 20-A

1936

Nov.

FARM CREDIT ADMINISTRATION

Circular No. 20-A (Revised)

LAWS

**Pertaining to Agricultural Short Term and Intermediate Credit
and Credit Unions, as Compiled in Chapters 7 and 14 of Title 12
of the United States Code, and the Division of Cooperative
Marketing, as Compiled in Chapter 18 of Title 7
of the United States Code**

As Amended to November 1, 1936

**Farm Credit Administration
Federal Intermediate Credit Banks
Production Credit Corporations
Production Credit Associations
Banks for Cooperatives
Federal Credit Unions
Miscellaneous**

**ISSUED BY THE
FARM CREDIT ADMINISTRATION**

NOVEMBER 1936



**UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1936**

EDITORIAL NOTE

This circular contains all general provisions, by acts of Congress and Executive Order, relating to the establishment and operation of the Farm Credit Administration.

This circular also contains all provisions of law relative to the organization and operation of the following short term and intermediate credit agencies which are under the supervision and regulation of the Farm Credit Administration: Federal intermediate credit banks, production credit corporations, production credit associations, banks for cooperatives, and Federal credit unions, together with certain miscellaneous provisions of law relative to agricultural short term and intermediate credit and the division of cooperative marketing.

The provisions of the acts of Congress and of the Executive Orders contained herein are set forth in accordance with the codification thereof in chapters 7 and 14 of Title 12 and chapter 18 of Title 7 of The Code of The Laws of the United States of America in Force January 3, 1935, and supplements thereto.

In the right margin of this circular, throughout subchapter III, opposite each section which was incorporated in Title II of the Federal Farm Loan Act, either originally or by amendment to that title, is printed the number of the Federal Farm Loan Act section in which the provisions are contained.

The sections, subchapters, and chapters into which this circular is divided are numbered to correspond with the same material as it appears in the Code. At the end of each section is a parenthetical reference to the act of Congress from which the provisions were derived, to any subsequent amendatory acts, and, wherever a section has been affected by either or both of the Executive Orders set forth at the beginning of this circular, to such Order or Orders.

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LAWS PERTAINING TO AGRICULTURAL SHORT-TERM AND INTERMEDIATE CREDIT, FEDERAL CREDIT UNIONS, AND COOPERATIVE MARKETING

As amended to November 1, 1936

As Compiled in Chapters 7 and 14 of Title 12 and Chapter 18 of Title 7 of the United States Code

**FARM CREDIT ADMINISTRATION
FEDERAL INTERMEDIATE CREDIT BANKS
PRODUCTION CREDIT CORPORATIONS
PRODUCTION CREDIT ASSOCIATIONS
BANKS FOR COOPERATIVES
AGRICULTURAL MARKETING ACT
REGIONAL AGRICULTURAL CREDIT CORPORATIONS
FEDERAL CREDIT UNIONS
DIVISION OF COOPERATIVE MARKETING**

FARM CREDIT ADMINISTRATION

INTRODUCTORY

EXECUTIVE ORDER No. 6084

REORGANIZING AGRICULTURAL CREDIT AGENCIES OF THE UNITED STATES

Whereas sections 401 and 403 of Title IV of Part II of the Legislative Appropriation Act, fiscal year 1933, as amended by an act of Congress approved March 3, 1933, provide:

SEC. 401. The Congress hereby declares that a serious emergency exists by reason of the general economic depression; that it is imperative to reduce drastically governmental expenditures; and that such reduction may be accomplished in great measure by proceeding immediately under the provisions of this title.

Accordingly, the President shall investigate the present organization of all executive and administrative agencies of the Government and shall determine what changes therein are necessary to accomplish the following purposes:

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

(c) To group, coordinate, and consolidate executive and administrative agencies of the Government, as nearly as may be, according to major purposes;

INTRODUCTORY

(d) To reduce the number of such agencies by consolidating those having similar functions under a single head, and by abolishing such agencies and/or such functions thereof as may not be necessary for the efficient conduct of the Government;

(e) To eliminate overlapping and duplication of effort; and

(f) To segregate regulatory agencies and functions from those of an administrative and executive character.

SEC. 403. Whenever the President, after investigation, shall find and declare that any regrouping, consolidation, transfer, or abolition of any executive agency or agencies and/or the functions thereof is necessary to accomplish any of the purposes set forth in section 401 of this title, he may by Executive order—

(a) Transfer the whole or any part of any executive agency and/or the functions thereof to the jurisdiction and control of any other executive agency;

(b) Consolidate the functions vested in any executive agency; or

(c) Abolish the whole or any part of any executive agency and/or the functions thereof; and

(d) Designate and fix the name and functions of any consolidated activity or executive agency and the title, powers, and duties of its executive head; except that the President shall not have authority under this title to abolish or transfer an executive department and/or all the functions thereof.

Now, therefore, pursuant to the authority so vested in me, and after investigation, it is found and declared that the following changes in executive agencies and the functions thereof are necessary to accomplish the purposes set forth in section 401 above recited, and it is hereby ordered that:

(1) The functions of the Secretary of Agriculture as a member of the Federal Farm Board, and the offices of the appointed members of the Federal Farm Board, except the office of the member designated as chairman thereof, are abolished.

(2) The name of the Federal Farm Board is changed to the Farm Credit Administration.

(3) The name of the office of Chairman of the Federal Farm Board is changed to Governor of the Farm Credit Administration, and he is vested with all the powers and duties of the Federal Farm Board.

(4) The functions of the Secretary of the Treasury as a member of the Federal Farm Loan Board, and the offices of the appointed members of the Federal Farm Loan Board, except the office of the member designated as farm loan commissioner, are abolished, and all the powers and functions of the Federal Farm Loan Board are transferred to and vested in the farm loan commissioner, subject to the jurisdiction and control of the Farm Credit Administration as herein provided.

(5) There are transferred to the jurisdiction and control of the Farm Credit Administration:

(a) The Federal Farm Loan Bureau and the functions thereof; together with the functions of the Federal Farm Loan Board, including the functions of the Farm Loan Commissioner;

INTRODUCTORY

(b) The functions of the Treasury Department and the Department of Agriculture, and the Secretaries thereof, under Executive authorizations to give aid to farmers, dated July 26, 1918, and any extensions or amendments thereof;

(c) The functions of the Secretary of Agriculture under all provisions of law relating to the making of advances or loans to farmers, fruit growers, producers and owners of livestock and crops, and to individuals for the purpose of assisting in forming or increasing the capital stock of agricultural-credit corporations, livestock-loan companies, or like organizations, except Public Resolution No. 74, Seventieth Congress, approved December 21, 1928, providing for the Puerto Rican Hurricane Relief Commission;

(d) The Crop Production Loan Office and the Seed Loan Office of the Department of Agriculture, and the functions thereof;

(e) The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional agricultural credit corporations formed under section 201 (e) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof.

(6) The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions.

(7) The records, property (including office equipment), and personnel used and employed in the execution of the functions hereinbefore transferred are transferred to the jurisdiction and control of the Farm Credit Administration.

(8) The sum of \$2,000,000 of the unexpended balances of appropriations made to the Federal Farm Board by Public Resolutions No. 43 and No. 51 of the Seventy-second Congress shall be impounded and returned to the Treasury, which sum shall be in addition to the other savings to be effected by the Farm Credit Administration as a result of this order.

(9) The unexpended balances of appropriations to the Secretary of Agriculture, the Federal Farm Loan Bureau, and the Federal Farm Board for salaries, expenses, and all other administrative expenditures in the execution of the functions herein vested in the Farm Credit Administration shall be transferred to and vested in the Farm Credit Administration as a single fund for its use for salaries, expenses, and all other administrative expenditures for the execution of any or all of such functions without restriction as to the particular functions for the execution of which the same were originally appropriated. All other appropriations, allotments, and other funds

INTRODUCTORY

available for use in connection with the functions and executive agencies hereby transferred and consolidated are hereby transferred to and vested in the Farm Credit Administration, and shall be available for use by it, for the same purposes as if the Farm Credit Administration were named in the law or authority providing such appropriations, allotments, or other funds.

(10) All power, authority, and duties conferred by law upon any officer, executive agency, or head thereof, from which or from whom transfer is hereinbefore made, in relation to the executive agency or function transferred, are transferred to and vested in the Governor of the Farm Credit Administration.

(11) The Governor of the Farm Credit Administration is directed to dismiss, furlough, transfer, or make other appropriate disposition of such of the officers and employees under his jurisdiction and control as are not required for the proper execution of the functions of the Farm Credit Administration.

(12) The Governor of the Farm Credit Administration is authorized to execute any and all functions and perform any and all duties vested in him through such persons as he shall by order designate or employ.

(13) The Governor of the Farm Credit Administration, by order or rules and regulations, may consolidate, regroup, and transfer offices, bureaus, activities, and functions in the Farm Credit Administration, so far as may be required to carry out the purposes to which this order is directed, and may fix or change the names of such offices, bureaus, and activities and the duties, powers, and titles of their executive heads.

This order shall take effect upon the sixty-first calendar day after its transmission to Congress unless otherwise determined in accordance with the provisions of section 407 of the act cited above, as amended.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
March 27, 1933.

EXECUTIVE ORDER No. 5200

I, Herbert Hoover, President of the United States of America, under the authority conferred upon me by paragraph (e) of Section 13 of Agricultural Marketing Act approved June 15, 1929, entitled "An Act To establish a Federal Farm Board to promote the effective merchandizing of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries", and by virtue of all other powers thereto me enabling, do hereby transfer from the Department of Agriculture to the jurisdiction and control of Federal Farm Board the whole of the Division of Cooperative Marketing in the Bureau of Agriculture Economics of the Department of Agriculture, all functions pertaining to the work and services of such division, its records, property,

including office equipment, personnel, and unexpended balances of appropriation, pertaining to such work or services. The Division of Cooperative Marketing above referred to is created and authorized by "An Act To create a division of cooperative marketing in the Department of Agriculture; to provide for the acquisition and dissemination of information pertaining to cooperation; to promote the knowledge of cooperative principles and practices; to provide for calling advisers to counsel with the Secretary of Agriculture on cooperative activities; to authorize cooperative associations to acquire, interpret, and disseminate crop and market information, and for other purposes", approved July 2, 1926. The transfer above mentioned shall be effective from and including October 1st, 1929.

HERBERT HOOVER.

THE WHITE HOUSE,
October 1, 1929.

12 U. S. C.

CHAPTER 7

GENERAL ADMINISTRATIVE PROVISIONS

§ 636 **Farm Credit Administration; provisions relating to organization.**—The Governor of the Farm Credit Administration is authorized, in carrying out the powers and duties now or hereafter vested in him or the Farm Credit Administration by law or under any Executive order made under title IV of part II of the Legislative Appropriation Act of 1933, as amended, to establish, and to fix the powers and duties of, such divisions, agencies, corporations, and instrumentalities as he may deem necessary to the efficient functioning of the Farm Credit Administration and the successful execution of the powers and duties so vested in the Governor and the Farm Credit Administration. This section shall not be construed to restrict the authority of the President under title IV of such Act, as amended: *Provided*, That no salary or compensation shall be paid to any officer, agent, or other person employed under this section in excess of \$10,000 per annum. (May 12, 1933, c. 25, § 40, 48 Stat. 51.)

§ 637 **Land Bank Commissioner; functions under Executive Orders.**—If and when any executive order heretofore transmitted to the Congress pursuant to title IV of part II of the Legislative Appropriation Act of 1933, as amended, shall become effective, all functions, powers, authority, and duties conferred upon or vested in the Land Bank

Commissioner by the Emergency Farm Mortgage Act of 1933 [sections 723, 771 (*Seventh*) and (*Twelfth*), 823 (note), 963a, 991 (second paragraph), and 1016–1019 of this chapter] shall be held and exercised by him subject to all the terms and conditions in any such Executive order the same as if such functions, powers, authority, and duties were specifically named in such Executive order or orders. (May 12, 1933, c. 25, § 39, 48 Stat. 50; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 638 **Commissioners in Farm Credit Administration; designation; appointment; salaries and expenses—(a) Land Bank Commissioner.**—After June 16, 1933, the office of Farm Loan Commissioner shall be known as the office of the Land Bank Commissioner and the Farm Loan Commissioner shall be known as the Land Bank Commissioner. The provisions of section 653 of this chapter, prescribing a term of office of eight years, shall not apply to incumbents appointed after June 16, 1933, to the office of Land Bank Commissioner.

(b) **Production Credit Commissioner; Cooperative Bank Commissioner; Intermediate Credit Commissioner.**—There shall be in the Farm Credit Administration three commissioners who shall be known, respectively, as the Production Credit Commissioner, the Cooperative Bank Commissioner, and the Intermediate Credit Commissioner. Such commissioners shall be appointed by the President, by and with the advice and consent of the Senate. They shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. Such commissioners shall perform such duties as may be assigned to them by law or by the governor of the Farm Credit Administration. (June 16, 1933, c. 98, § 80, 48 Stat. 273.)

See Sections 652–655 of this chapter for provisions relative to eligibility, appointment, salary, traveling expenses, etc., of Land Bank Commissioner.

§ 639 **Governor of Farm Credit Administration; supplementary grant of powers.**—The authority and powers conferred upon the governor under the Farm Credit Act of 1933 [subchapters IV, V and VI of this chapter] shall not be construed to be in substitution for authority and powers conferred upon him under existing law but shall be construed to be

supplementary to such authority and powers.
(June 16, 1933, c. 98, § 82, 48 Stat. 273.)

§ 640 **Seal of Farm Credit Administration.**—The Farm Credit Administration shall have a seal, as adopted by the governor, which shall be judicially noticed. (June 16, 1933, c. 98, § 85, 48 Stat. 273.)

EDITORIAL NOTE.—Subchapters I, II, and II-A of Chapter 7 of Title 12 of the United States Code are not included in this circular, since they pertain to farm mortgage loans. These subchapters are contained in Farm Credit Administration Circular No. 20.

SUBCHAPTER III—FEDERAL INTERMEDIATE CREDIT BANKS

HISTORICAL NOTE

The provisions of this subchapter relative to Federal intermediate credit banks constitute Title II of the "Federal Farm Loan Act" (July 17, 1916, chapter 245, Thirty-ninth Statutes, page 360). See section 641 of this chapter. This Act was amended on March 4, 1923 (chapter 252, Forty-second Statutes, page 1454), by the addition of a second title relative to Federal intermediate credit banks, the provisions of which, as amended, are included in this subchapter. The office of Intermediate Credit Commissioner was created by the act of June 16, 1933. (See section 638, under "Introductory", at the beginning of this chapter.)

ORGANIZATION

§ 1021 **Number, names, and charters of banks.**—The § 201(a) Farm Credit Administration shall have power to grant charters for twelve institutions to be known and styled as "Federal Intermediate Credit Banks." (July 17, 1916, c. 245, § 201 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1022 **Location; directors, officers, and employees.**—§ 201(b) Such institutions shall be established in the same cities as the twelve Federal land banks. The directors of the several Federal land banks shall be ex officio directors of the several Federal intermediate credit banks hereby provided for and shall have power, subject to the approval of the Gov-

ernor of the Farm Credit Administration, to employ and fix the compensation of such officers and employees of such Federal intermediate credit banks as may be necessary to carry on the business authorized by this subchapter. (July 17, 1916, c. 245, § 201 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; June 16, 1933, c. 98, § 76 (a), 48 Stat. 271.)

With respect to disqualification of directors, section 682a of this chapter provides:

"Disqualification on conviction of felony or court award of damages for fraud.—On and after June 3, 1935, no person shall be eligible for appointment or election as an administrative or executive official or as a member of the board of directors of a Federal land bank, or shall continue to hold office as such member or as an ex-officio director of a Federal intermediate credit bank or of any corporation or bank organized pursuant to the Farm Credit Act of 1933 [Title 12, U. S. Code, §§ 1131–1138f], if such person has been finally adjudged guilty of a felony, or finally adjudged liable in damages in any civil proceeding for fraud in any State or Federal court. (June 3, 1935, c. 164, § 23, 49 Stat. 320.)"

§ 1023 **Corporate powers; suits by or against.**—Each §201(c)
Federal intermediate credit bank shall have all the usual powers of corporations, and shall have power to sue and be sued both in law and equity, and for purposes of jurisdiction shall be deemed a citizen of the State where it is located. (July 17, 1916, c. 245, § 201 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454.)

§ 1024 **Fiscal agents for United States.**—Federal in- §201(d)
termediate credit banks, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and perform such duties as shall be prescribed by the Secretary of the Treasury. (July 17, 1916, c. 245, § 201 (d); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454.)

§ 1025 **Insolvency; receivership.**—Upon default of any §201(e)
obligation any Federal intermediate credit bank may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961–966 of this chapter regarding national farm loan associations. (July 17, 1916, c. 245, § 201 (e); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1026 **Application for charter.**—The charters to such § 201(f)
Federal intermediate credit banks shall be granted
upon application of the directors of the Federal
land banks, which application shall be in such form
as the Farm Credit Administration shall prescribe.
(July 17, 1916, c. 245, § 201 (f); Mar. 4, 1923, c.
252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

DISCOUNTS AND LOANS

§ 1031 **Lending powers; purchase and sale of debentures of intermediate credit banks; loans to cooperative associations.**—Federal intermediate credit banks, when chartered and established, shall have power, subject solely to such restrictions, limitations, and conditions as may be imposed by the Farm Credit Administration not inconsistent with the provisions of this subchapter—

(1) To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank, credit union, cooperative association of agricultural producers, organized under the laws of any State or of the Government of the United States, and/or any other Federal intermediate credit bank, with its endorsements, any note, draft, bill of exchange, debenture, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of livestock; and to make loans or advances direct to any such organization, secured by such obligations; and to discount for, or purchase from, any production credit association or bank for cooperatives organized under subchapters IV and V of this chapter, or any production credit association in which a Production Credit Corporation organized under such subchapter IV holds stock, with its indorsement, any note, draft, bill of exchange, debenture, or other such obligation presented by such association or bank, and to make loans and advances direct to any such association or bank secured by such collateral as may be approved by the Governor of the Farm Credit Administration;

(2) To buy or sell, with or without recourse, debentures issued by any other Federal intermediate credit bank; and

§ 1031 (3) To make loans or advances direct to any co- § 202(a)
 operative association organized under the laws of
 any State and composed of persons engaged in pro-
 ducing, or producing and marketing, staple agri-
 cultural products, or livestock, if the notes or other
 such obligations representing such loans are secured
 by warehouse receipts, and/or shipping documents
 covering such products, and/or mortgages on live-
 stock, and/or such other collateral as may be ap-
 proved by the Governor of the Farm Credit Admin-
 istration: *Provided*, That no such loan or advance,
 when secured only by warehouse receipts and/or
 shipping documents, and/or mortgages on livestock,
 shall exceed 75 per centum of the market value of
 the products covered by said warehouse receipts
 and/or shipping documents, or of the livestock
 covered by said mortgages; and to accept drafts or
 bills of exchange issued or drawn by any such asso-
 ciation when secured by warehouse receipts and/or
 shipping documents covering staple agricultural
 products as herein provided, at such rates of com-
 mission as may be approved by the Governor of the
 Farm Credit Administration. (July 17, 1916, c. 245,
 § 202 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1455;
 Mar. 4, 1925, c. 524, § 7, 43 Stat. 1264; June 26, 1930,
 c. 616, § 1, 46 Stat. 816; May 19, 1932, c. 191, § 1, 47
 Stat. 159; June 16, 1933, c. 98, § 76 (b), (c), 48 Stat.
 271; Mar. 27, 1933, Ex. Or. 6084; June 3, 1935, c.
 164, § 5 (a), (b), 49 Stat. 315.)

"Farm Credit Administration", mentioned in the text the first
 and third times, was substituted for "Federal Farm Loan Board"
 pursuant to the Executive Order cited thereto, which is set out
 in full at the beginning of this chapter.

With respect to loans on lands in drainage, irrigation, or con-
 servancy districts, § 773a of this chapter provides:

"773a. *Loans on lands in drainage, irrigation, or conservancy
 districts.*—The Farm Credit Administration, the Federal Farm
 Mortgage Corporation, the Federal land banks, the Land Bank
 Commissioner, and any lending or financing agency established
 by or under Subchapters I, III, IV, and V of this chapter, are
 authorized to make loans or acquire mortgages on lands in any
 drainage, irrigation, or conservancy district, notwithstanding
 the existence of any prior lien or charge arising out of an assess-
 ment for special benefits made by such district, in any case where
 (1) such land is otherwise eligible for a loan, (2) such assess-
 ment is payable over a period of years, and (3) reasonable security
 exists for the repayment of the loan, taking into consideration
 all facts and values, including the term and size of the loan, the
 integrity of the applicant, and the increased earning capacity of
 the lands arising from the improvements or benefits in respect
 of which the assessment was made. (June 4, 1936, c. 496, 49
 Stat. 1461.)"

§ 1032 Purchase or discount of paper from or for § 202(b)
 national banks, State banks, trust companies,
 savings institutions, or corporations making
 loans for agricultural or livestock purposes;
 limitations upon amount.—No paper shall be pur-

chased from or discounted for any national bank, State bank, trust company, or savings institution under section 1031, if the amount of such paper added to the aggregate liabilities of such national bank, State bank, trust company, or savings institution, whether direct or contingent (other than bona fide deposit liabilities), exceeds the amount of such liability permitted under the laws of the jurisdiction creating the same; or exceeds twice the paid in and unimpaired capital and surplus of such national bank, State bank, trust company, or savings institution. No paper shall under section 1031 be purchased from or discounted for any other corporation engaged in making loans for agricultural purposes or for the raising, breeding, fattening, or marketing of livestock, if the amount of such paper added to the aggregate liabilities of such corporation exceeds the amount of such liabilities permitted under the laws of the jurisdiction creating the same; or exceeds ten times the paid in and unimpaired capital and surplus of such corporation. It shall be unlawful for any national bank which is indebted to any Federal intermediate credit bank upon paper discounted or purchased under section 1031, to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities, direct or contingent, will exceed the limitations herein contained. (July 17, 1916, c. 245, § 202 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1455.)

§ 1033 **Maturity and sale of loans, advances, or discounts.**—Loans, advances, or discounts made under section 1031 shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not more than three years. Any Federal intermediate credit bank may in its discretion sell loans or discounts made under section 1031, with or without its indorsement. (July 17, 1916, c. 245, § 202 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1455; June 26, 1930, c. 616, § 2, 46 Stat. 816.) § 202(c)

ISSUE OF DEBENTURES

§ 1041 **Collateral trust debentures or similar obligations; security for; maturity; limitation respecting amount.**—Federal intermediate credit banks, when chartered and established, shall have power, subject to the approval of the Farm Credit § 203(a)

Administration, to borrow money and to issue and to sell collateral trust debentures or other similar obligations with a maturity at the time of issue of not more than five years, which shall be secured by at least a like face amount of cash, or notes or other such obligations discounted or purchased or representing loans made under section 1031: *Provided*, That the aggregate amount of the outstanding debentures and similar obligations issued individually by any Federal intermediate credit bank, together with the amount of outstanding consolidated debentures issued for its benefit and account, shall not exceed ten times the surplus and paid-in capital of such bank. (July 17, 1916, c. 245, § 203 (a) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084; June 3, 1935, c. 164, § 6 (a), 49 Stat. 315.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1042 **Applicability of provisions of subchapter I; § 203 (b) regulations governing collateral and handling thereof; interest rates.**—The provisions of subchapter I of this chapter* relating to the preparation and issue of farm loan bonds shall, so far as applicable, govern the preparation and issue of debentures or other such obligations issued under the preceding section; but the Farm Credit Administration shall prescribe rules and regulations governing the receipt, custody, substitution, and release of collateral instruments securing such debentures or other obligations, the right of substitution being hereby granted. Rates of interest upon debentures and other such obligations issued under the preceding section shall, subject to the approval of the Farm Credit Administration, be fixed by the Federal intermediate credit bank making the issue, not exceeding 6 per centum per annum. (July 17, 1916, c. 245, § 203 (b) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1043 **Assumption of liability by Government prohibited; recital necessary to be included.**—The United States Government shall assume no liability, direct or indirect, for any debentures or other obli-

* Subchapter I, referred to in the text, is published separately in Farm Credit Administration Circular No. 20.

gations issued under section 1041 of this chapter, and all such debentures and other obligations shall contain conspicuous and appropriate language, to be prescribed in form and substance by the Farm Credit Administration and approved by the Secretary of the Treasury, clearly indicating that no such liability is assumed. (July 17, 1916, c. 245, § 203 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1044 **Consolidated debentures; authority of inter- §203(d)**
mediate credit banks to issue and sell.—Whenever it shall appear desirable to issue consolidated debentures of the twelve Federal intermediate credit banks and to sell them through a common selling agency, and the Federal intermediate credit banks shall, by resolutions, consent to the same, the banks may issue and sell said debentures subject to the provisions of sections 1041–1045 of this chapter, and the provisions of sections 871–886 of this chapter, insofar as applicable. As used in this subchapter, the term "debentures" includes such consolidated debentures. (July 17, 1916, c. 245, § 203 (d); June 3, 1935, c. 164, § 6 (b), 49 Stat. 315.)

Sections 871–886, referred to in the text, are published separately in Farm Credit Administration Circular No. 20.

§ 1045 **Investment of fiduciary and trust funds in de- §203(e)**
bentures of intermediate credit banks; security
for public deposits.—All debentures issued by Federal intermediate credit banks shall be lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of the United States or of any officer or officers thereof. (July 17, 1916, c. 245, § 203 (e); June 3, 1935, c. 164, § 6 (b), 49 Stat. 316.)

DISCOUNT RATES

§ 1051 **Establishment of and approval of; limitations §204(a)**
on.—Any Federal intermediate credit bank may, with the approval of the Intermediate Credit Commissioner, from time to time establish rates of discount and interest which, except with the approval

of the Governor of the Farm Credit Administration, shall not exceed by more than 1 per centum per annum the rate borne by the last preceding issue of debentures which it issued or in which it participated. Any Federal intermediate credit bank may be required by the Governor of the Farm Credit Administration to acquire, upon such terms as he may approve, loans and/or discounts of any other Federal intermediate credit bank. (July 17, 1916, c. 245, § 204 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 4, 1925, c. 524, § 2, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084; June 3, 1935, c. 164, § 7, 49 Stat. 316.)

- § 1052 **Limitation on interest rate charged original § 204(b) borrower on paper discounted with bank.**—No organization entitled to the privileges of this subchapter, shall, without the approval of the Farm Credit Administration, be allowed to discount with any Federal intermediate credit bank any note or other obligation, upon which the original borrower has been charged a rate of interest exceeding by more than $1\frac{1}{2}$ per centum per annum the discount rate of the Federal intermediate credit bank at the time such loan was made. (July 17, 1916, c. 245, § 204 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 1053 **Purchase by bank of debentures issued by it.**— § 204(c)
A Federal intermediate credit bank may, subject to the approval of the Farm Credit Administration, buy in the open market at or below par for its own account and retire at or before maturity any such debentures or obligations issued by it. (July 17, 1916, c. 245, § 204 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

CAPITAL STOCK

- § 1061 **Amount, shares; subscriptions to by United States; assessments against other banks to restore capital impairment of one bank.**—(a) For § 205

§ 1061 the purpose of exercising the powers conferred by §205 this subchapter, each Federal intermediate credit bank shall have a subscribed capital stock of \$5,000,000, which amount may be increased from time to time with the approval of the Governor of the Farm Credit Administration. Capital stock of such amount shall be divided into shares of \$5 each and shall be subscribed, held, and paid by the Government of the United States. It shall be the duty of the Secretary of the Treasury to subscribe to such capital stock on behalf of the United States, such subscription to be subject to call in whole or in part by directors of the said banks upon thirty days' notice to the Secretary of the Treasury and with the approval of the Farm Credit Administration. The Secretary of the Treasury is authorized and directed to take out shares as called and to pay for the same out of any money in the Treasury not otherwise appropriated.

(b) In the event that there shall be an impairment of the paid-in capital of any Federal intermediate credit bank, the Farm Credit Administration, at such time or times as it deems advisable, may determine and assess the amount thereof against the other Federal intermediate credit banks on such equitable basis of apportionment as it shall prescribe. Each bank against which such an assessment is made shall, out of its surplus and/or to an extent up to 50 per centum of its net earnings, in accordance with the terms of such assessment, pay the amount thereof as soon as possible to the bank having the impairment. In such event payments into the surplus fund and payments of the franchise tax prescribed by this chapter shall be determined on the basis of the net earnings remaining after providing for the payment of any such assessment.

(c) With the approval of the Secretary of the Treasury, the Governor of the Farm Credit Administration is hereby authorized to subscribe from time to time to the capital stock and/or paid-in surplus of any Federal intermediate credit bank on behalf of the United States, in such amounts as he may determine are necessary for the purpose of meeting the credit needs of eligible borrowers from the bank, and the amount of the capital stock and paid-in surplus of such bank may be increased or decreased from time to time by the Governor, in accordance with such needs. Such stock shall be divided into

shares of \$100 each and subscriptions to such paid-in surplus shall be made in multiples of \$100 out of the revolving fund created under subsection (e) of section 1131i of this chapter. The Governor on behalf of the United States shall make payment for stock and paid-in surplus of such bank and such payment shall be subject to call in whole or in part by the board of directors of the bank, with the approval of the Governor. (July 17, 1916, c. 245, § 205; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; May 19, 1932, c. 191, § 2, 47 Stat. 159; Mar. 27, 1933, Ex. Or. 6084; Jan. 31, 1934, c. 7, § 15 (b), (c), 48 Stat. 348.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

APPLICATION OF EARNINGS

- § 1062 **Salaries and expenses of Federal Farm Loan Bureau; assessment against banks for proportionate share.**—The Farm Credit Administration shall equitably apportion the joint salaries and expenses incurred in behalf of Federal land banks, joint stock land banks, and Federal intermediate credit banks, and shall assess against each Federal intermediate credit bank its proportionate share of the salaries and expenses of the Federal Farm Loan Bureau made necessary in connection with the operation of this provision. (July 17, 1916, c. 245, § 206 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; Mar. 4, 1926, c. 524, § 1, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For salaries and expenses to be included in assessments, see § 657, of this chapter. See also § 1094, below, for assessment of examination costs.

- § 1072 **Net earnings; surplus fund; franchise tax; disposition by United States of sums received from net earnings of banks and from surplus remaining after liquidation of banks.**—After all necessary expenses of a Federal intermediate credit bank have been paid or provided for, the net earnings shall be paid into a surplus fund until it shall amount to 100 per centum of the subscribed capital stock of such bank, and thereafter 50 per centum of such earnings shall be paid into the

surplus. Whenever the surplus thus paid in shall have been impaired it shall be fully restored before payment of the franchise tax herein prescribed. After the aforesaid requirements of this section have been fully met and, except as otherwise provided in this subchapter, 50 per centum of the net earnings shall be paid to the United States as a franchise tax. The net earnings derived by the United States from Federal intermediate credit banks shall, in the discretion of the Secretary of the Treasury, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal intermediate credit bank be dissolved or go into liquidation, after the payment of all debts and other obligations as hereinbefore provided, any surplus remaining shall be paid to and become the property of the United States and shall be similarly applied. (July 17, 1916, c. 245, § 206 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; May 19, 1932, c. 191, § 3, 47 Stat. 159.)

LIABILITY ON DEBENTURES OR OTHER SUCH OBLIGATIONS

§ 1081 **Liability of one bank for debentures issued by other banks; agreements by banks for transfer of funds for debenture payments.**—Any Federal intermediate credit bank issuing debentures or other such obligations under this subchapter shall be primarily liable therefor, and shall also be liable, upon presentation of the coupons for interest payments due upon any such debentures or obligations issued by any other Federal intermediate credit bank and remaining unpaid in consequence of the default of the other Federal intermediate credit bank. Any Federal intermediate credit bank shall likewise be liable for such portion of the principal of debentures or obligations so issued as are not paid after the assets of such other Federal intermediate credit bank have been liquidated and distributed. Such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent Federal intermediate credit banks liable therefor in proportion to the amount of capital stock, surplus, and debentures or other such obligations which each may

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have outstanding at the time of such assessment. Every Federal intermediate credit bank shall, by appropriate action of its board of directors duly recorded in its minutes, obligate itself to become liable on debentures and other such obligations as provided in this section: *Provided*, That in view of the liability of all Federal intermediate credit banks for the debentures and other such obligations of each bank under this chapter, the banks shall, in accordance with rules, regulations, and orders of the Farm Credit Administration, enter into adequate agreements and arrangements among themselves by which funds shall be transferred and/or made available from time to time for the payment of all such debentures and other such obligations and the interest thereon when due in accordance with the terms thereof. (July 17, 1916, c. 245, § 207; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; May 19, 1932, c. 191, § 4, 47 Stat. 159; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

EXAMINATIONS AND REPORTS

§ 1091 **Reports of condition of banks and other lending institutions rediscounting with credit banks; examinations and audits of credit banks.**—In order to enable each Federal intermediate credit bank to carry out the purpose of this subchapter, the Comptroller of the Currency is hereby authorized and directed, upon the request of any Federal intermediate credit bank, (1) to furnish for the confidential use of such bank such reports, records, and other information, as he may have available, relating to the financial condition of national banks through or for which the Federal intermediate credit bank has made or contemplates making discounts, and (2) to make through his examiners, for the confidential use of the Federal intermediate credit bank, examinations of organizations through or for which the Federal intermediate credit bank has made or contemplates making discounts or loans: *Provided*, That no such examination shall be made without the consent of such organization except where such examination is required by law: *Provided*, That any organization, except State banks, trust companies, and savings associations, shall, as a condition precedent to securing rediscount privi- § 208(a)

leges with the Federal intermediate credit bank of its district, file with such bank its written consent to its examination as may be directed by the Farm Credit Administration by land bank examiners; and State banks, trust companies, and savings associations may be in like manner required to file their written consent that reports of their examination by constituted authorities may be furnished by such authorities upon request to the Federal intermediate credit bank of their district. Each Federal intermediate credit bank shall be examined and audited at least once each year by the Farm Credit Administration, and the results of such examination and audit shall be made public by the administration. (July 17, 1916, c. 245, § 208 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board”, respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1092 **Submission and publication of reports of condition by banks.** — Every Federal intermediate credit bank shall make to the Farm Credit Administration not less than three reports during each year as requested by the administration and according to the form which may be prescribed by the administration, verified by the oath or affirmation of the president, or secretary, or treasurer, of each Federal intermediate credit bank and attested by the signature of at least three of the directors. Each report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the Federal intermediate credit bank at the close of business on any past day specified by the Farm Credit Administration within five days from the receipt of a request or requisition therefor from the administration, and in the same form in which it is made to the Farm Credit Administration shall be published in a newspaper published in the place where such Federal intermediate credit bank is established, or if there is no newspaper in the place, then in the one published nearest thereto, in the same county, at the expense of the bank; and such proof of publication shall be furnished as may be required by the Farm Credit Administration. The Farm Credit Administration shall also have power to call for special reports from any particular Federal intermediate credit bank whenever in its judgment the same are necessary for a full and complete knowledge of its § 208(b)

condition. (July 17, 1916, c. 245, § 208 (b) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board”, respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1093 **Investigations and reports by land bank appraisers and examiners for credit banks.**—Land bank appraisers are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to investigate and make a written report upon the products covered by warehouse receipts or shipping documents, and the livestock covered by mortgages, which are security for notes or other such obligations representing any loan to any organization, under this subchapter. Land bank examiners are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to examine and make a written report upon the condition of any organization, except national banks, to which the Federal intermediate credit bank contemplates making any such loan. (July 17, 1916, c. 245, § 208 (c) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1094 **Cost of examinations; assessments against organizations investigated.**—The Farm Credit Administration shall assess the cost of all examinations made by the examiners of the administration under the provisions of this subchapter upon the bank, trust company, savings institution, or organization investigated, in accordance with the regulations to be prescribed by the administration. (July 17, 1916, c. 245, § 208 (d) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board”, respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1095 **Reports on condition of institutions receiving loans or deposits.**—The executive departments, boards, commissions, and independent establish-

ments of the Government, the Reconstruction Finance Corporation, the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Federal Reserve banks are severally authorized, under such conditions as they may prescribe, to make available to any Federal intermediate credit bank, in confidence, upon the request of the Governor of the Farm Credit Administration, such reports, records, or other information as they may have available relating to the condition of any institution to which a Federal intermediate credit bank has made, or contemplates making, loans, or which it is using, or contemplates using, as a custodian of securities or other credit instruments, or as a depository. (July 17, 1916, c. 245, § 208 (e); June 3, 1935, c. 164, § 8, 49 Stat. 316.)

RULES AND REGULATIONS

- § 1101 **Authority of Farm Credit Administration.**— § 209
The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary for the efficient execution of the provisions of this subchapter. (July 17, 1916, c. 245, § 209; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

TAX EXEMPTION

- § 1111 **Capital and income; debentures instrumentalities of Government.**— § 210
The privileges of tax exemption accorded under section 931 of this chapter shall apply also to each Federal intermediate credit bank, including its capital, reserve, or surplus, and the income derived therefrom, and the debentures issued under this subchapter shall be deemed and held to be instrumentalities of the Government and shall enjoy the same tax exemptions as are accorded farm loan bonds in said section. (July 17, 1916, c. 245, § 210; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

PENALTY PROVISIONS

- § 1121 **Offenses by officers, employees, or agents; em- § 211(a)**
bezzlement; misapplication of funds; unauthor-

ized making, issuing, or assigning instruments; false entries.—Any officer, director, agent, or employee of a Federal intermediate credit bank who embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or credits of such bank, or who, without authority from such bank, draws any order or bill of exchange, makes any acceptance, issues, puts forth, or assigns any note, debenture, bond, draft, bill of exchange, mortgage, judgment, or decree, or who makes any false entry in any book, report, or statement of such bank with intent in any case to injure or defraud such bank or any other company or person, or to deceive any officer of such bank or the Farm Credit Administration, or any agent or examiner appointed to examine the affairs of such bank; and every receiver of such bank who with like intent to defraud or injure embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or assets of such bank, and every person who with like intent aids or abets any officer, director, agent, employee, or receiver in any violation of this section, shall be deemed guilty of a misdemeanor, and upon conviction thereof in any district court of the United States shall be fined not more than \$5,000, or shall be imprisoned for not more than five years, or both, at the discretion of the court. (July 17, 1916, c. 245, § 211 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1122 **False statements to banks.**—Whoever makes §211(b) any statement, knowing it to be false, for the purpose of obtaining for himself or for any other person, firm, corporation, or association any advance, or extension or renewal of an advance, or any release or substitution of security from such bank, or for the purpose of influencing in any other way the action of such bank, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both. (July 17, 1916, c. 245, § 211 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1123 **Overvaluation of property offered as security §211(c) for loan.**—Whoever willfully overvalues any property offered as security for any such advance shall be punished by a fine of not more than \$5,000, or

by imprisonment for not more than two years, or both. (July 17, 1916, c. 245, § 211 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1124 **Offenses by examiners.**—Any examiner appointed under this subchapter or subchapter I hereof who shall accept a loan or gratuity from any organization examined by him, or from any person connected with any such organization in any capacity, or who shall disclose the names of borrowers to other than the proper officers of such organization, without first having obtained express permission in writing from the Land Bank Commissioner or from the board of directors of such organization, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States or of either House thereof, or any committee of Congress or of either House duly authorized, shall be punished by a fine of not exceeding \$5,000 or by imprisonment of not exceeding one year, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as an examiner under the provisions of this subchapter and subchapter I hereof. No examiner while holding such office shall perform any other service for compensation for any bank or banking or loan association or for any person connected therewith in any capacity. (July 17, 1916, c. 245, § 211 (d); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 1125 **Offenses by officers, employees, or agents of banks; receiving fees or gifts.**—Whoever, being an officer, director, employee, agent, or attorney of a Federal intermediate credit bank, stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value, from any person, firm, or corporation for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation any loan from any such corporation or extension or renewal of loan or substitution of security, or the purchase or discount or acceptance of any paper, note, draft, check, or bill of exchange by any such corporation, shall be deemed guilty of a misdemeanor and shall upon conviction thereof be im-

prisoned for not more than one year and fined not more than \$5,000, or both. (July 17, 1916, c. 245, § 211 (e); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1126 **Forgery, counterfeiting, and like offenses relating to obligations of banks.**—Any person who shall falsely make, forge, or counterfeit or cause or procure to be falsely made, forged, or counterfeited or willingly aid or assist in falsely making, forging, or counterfeiting any debenture, coupon, or other obligation in imitation of or purporting to be in imitation of the debenture, coupon, or other obligation issued by any Federal intermediate credit bank, or any person who shall pass, utter, or publish or attempt to pass, utter, or publish any false, forged, or counterfeited debenture, coupon, or other obligation purporting to be issued by any such bank knowing the same to be falsely made, forged, or counterfeited, or any person who shall falsely alter or cause or procure to be falsely altered or shall willingly aid or assist in falsely altering any such debenture, coupon, or other obligation or who shall pass, utter, or publish as true any falsely altered or spurious debenture, coupon, or other obligation issued or purporting to have been issued by any such bank, knowing the same to be falsely altered or spurious, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not to exceed five years, or both. (July 17, 1916, c. 245, § 211 (f); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1127 **False representations as to debentures or other obligations of banks.**—Any person who shall deceive, defraud, or impose upon or who shall attempt to deceive, defraud, or impose upon any person, partnership, corporation, or association by making any false pretense or representation concerning the character, issue, security, contents, conditions, or terms of any debenture, coupon, or other obligation issued under the terms of this subchapter, shall upon conviction be fined not exceeding \$500, or imprisoned not to exceed one year, or both. (July 17, 1916, c. 245, § 211 (g); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1128 **Unlawful use of words “Federal intermediate credit bank.”** — All corporations not organized under the provisions of this subchapter are prohibited from using the words “Federal intermediate credit bank” as part of their corporate name, and any violation of this prohibition shall subject the party charged therewith to a civil penalty of \$50 for each day during which the violation continues. (July 17, 1916, c. 245, § 211 (h) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.) § 211(h)

§ 1129 **Charging of unauthorized fees or commissions by banks.**—No Federal intermediate credit bank shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized. (July 17, 1916, c. 245, § 212; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1461.) § 212

SUBCHAPTER IV.—PRODUCTION CREDIT CORPORATIONS AND PRODUCTION CREDIT ASSOCIATIONS ¹

PRODUCTION CREDIT CORPORATIONS

§ 1131 **Establishment; number; location.**—The Governor of the Farm Credit Administration, hereinafter in this subchapter and subchapter VI referred to as the “governor”, is authorized and directed to organize and charter twelve corporations to be known as “Production Credit Corporations.” One such corporation shall be established in each city in which there is located a Federal land bank. The directors of the several Federal land banks shall be ex officio the directors of the respective Production Credit Corporations. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such corporations as may be necessary to carry out the powers and duties conferred upon such corporations under this subchapter and subchapter VI. (June 16, 1933, c. 98, § 2, 48 Stat. 257.)

Organization of Banks for Cooperatives, see § 1134.

Disqualification of director on conviction of felony or civil judgment for damages for fraud, see § 682a of this chapter, quoted in full in the footnote to § 1022 of this circular.

¹ See also subchapter VI.

§ 1131a **Charters and bylaws.**—The charters of the Production Credit Corporations shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the corporations. (June 16, 1933, c. 98, § 3, 48 Stat. 257.)

Charters of Banks for Cooperatives, see § 1134a.

§ 1131b **Capital stock; amount; value of shares; amount and subscription for initial stock; payments for stock subscribed on behalf of United States.**—The capital stock of each Production Credit Corporation shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of the district to be served by such corporation, and such amount may be increased or decreased from time to time by the governor in accordance with such credit needs. Such capital stock shall be divided into shares of \$100 each. The initial capital stock of each such corporation shall be \$7,500,000, which shall be subscribed for by the governor and held by him on behalf of the United States. Payments on subscriptions to stock by the governor shall be subject to call in whole or in part by the board of directors of the corporation with the approval of the governor. The governor shall make such payments out of the revolving fund created in section 1131i of this chapter. The stock ownership of the United States in such corporation shall be evidenced by such means as the governor shall determine. (June 16, 1933, c. 98, § 4, 48 Stat. 257.)

§ 1131c **Purchase of stock in production credit associations; class of stock to be purchased and held; amount of stock; retirement of stock held by corporations; application of earnings on stock held by corporations—(a) Stock in associations organized under this subchapter.**—Each Production Credit Corporation shall have power to invest its funds in stock of production credit associations as provided in this section. Such corporation is authorized to subscribe and pay for class A stock

§ 1131c in each Production Credit Association located in the district served by such corporation in amounts sufficient to maintain the amount of class A stock held by it and other holders of class A stock equal, as nearly as may be, to 20 per centum of the volume of loans made or to be made by such association, as estimated by the corporation, but at no time shall the amount of class A stock outstanding be less than \$5,000 except with the consent of the association. Notwithstanding the provisions of the preceding sentence, (1) the governor, under rules and regulations prescribed by him, may permit a Production Credit Corporation to maintain the class A holdings of stock by the corporation and other investors at such amount, in excess of 20 per centum of such loans, as may be necessary, and (2) the corporation may at any time require the association to retire and cancel stock held by the corporation in such association, if, in the judgment of the corporation, the association has resources available therefor. (June 16, 1933, c. 98, § 6 (a), 48 Stat. 259.)

(b) Stock in associations not organized under this subchapter; restrictions and limitations.—Under such rules and regulations as may be prescribed by the governor and subject to such restrictions and limitations as he may prescribe, each Production Credit Corporation is authorized to subscribe and pay for stock in production credit associations not organized under this subchapter if such associations are controlled by cooperative associations as defined in section 1141j (a) of subchapter VII of this chapter. Only stock which is preferred as to assets on liquidation and is entitled to participate in dividend distributions without discrimination may be subscribed for. The amount of the stock subscribed for by any Production Credit Corporation in any such association shall not at any one time exceed 75 per centum of the total paid-in capital of such association. (June 16, 1933, c. 98, § 6 (b), 48 Stat. 259.)

(c) Earnings on stock in associations; application of; establishment and investment of surplus.—The amount of the excess of earnings on stock held by the corporation above amounts necessary to pay operating expenses and restore losses and impairment of capital, if any, of the corporation shall be devoted to the creation and maintenance of a surplus equal to at least 25 per centum of the paid-in capital of the corporation. The

amount of the surplus shall be invested as the governor shall prescribe in direct obligations of the United States or in class A stock of production credit association, or both. (June 16, 1933, c. 98, § 6 (c), 48 Stat. 259.)

(d) Application of excess earnings on stock in associations; retirement of stock in corporations held by Government.—The amount of such excess of earnings not required in order to comply with the provisions of subsection (c) shall be paid into the revolving fund authorized in section 1131i. Stock held by the governor in the Production Credit Corporation shall be retired upon such payment in an amount equal to the amount of such payment. (June 16, 1933, c. 98, § 6 (d), 48 Stat. 259.)

PRODUCTION CREDIT ASSOCIATIONS

§ 1131d **Organization; articles of association; charters; bylaws; powers of governor respecting associations.**—The governor is authorized and directed to organize and charter corporations to be known as “Production Credit Associations.” Such associations may be organized by ten or more farmers desiring to borrow money under the provisions of this section and sections 1131e to 1131h. Such individuals shall enter into articles of incorporation which shall specify in general terms the objects for which the association is formed and the powers to be exercised by it in carrying out the functions conferred upon it by this subchapter. Such articles shall be signed by the individuals uniting to form the association and a copy thereof shall be forwarded to the Production Credit Corporation of the district, and such copy shall be filed and preserved in its office. The governor may, for good cause shown, deny a charter to such individuals. Upon the approval of such articles by the governor, the association shall become as of the date of such approval a body corporate. The governor shall have power, under rules and regulations prescribed by him, or by prescribing the terms of the charter of the association, or both, to provide for the organization, management, and conduct of the business of the association; and the power of the governor shall extend to prescribing the amount of the stock of such association; fixing the territory within which its operations may be carried on; fixing the method of election and appointment of, and the amount

and payment of the compensation of, directors, officers, and employees; fixing the maximum amount of individual loans which may be made; prescribing the conditions under which the stock may be retired; and providing for the consolidation of two or more such associations. The governor may, at any time, direct such changes in the charter of any such association as he finds necessary in accomplishing the purposes of this section and sections 1131e to 1131h. Bylaws of any such association may be adopted by the directors but shall not be valid unless approved by the governor. (June 16, 1933, c. 98, § 20, 48 Stat. 259.)

§ 1131e **Capital stock; value of shares; classes of stock; voting rights; limitation on transfer of class B stock; exchange of class B stock upon holder ceasing to be borrower; dividends; ownership of stock as entitling credit corporation to approve or remove officers of association.**—The stock of such associations shall be divided into shares of \$5 each; and there shall be two classes of such stock: (1) Class A stock which is to be held by Production Credit Corporations, and which may be purchased and held by investors, and (2) class B stock which may be purchased only by farmer borrowers from the association and individuals eligible to become borrowers. Class B stock only shall be entitled to voting rights but each holder of such stock shall be entitled to no more than one vote. No class B stock, or any interest therein or right to receive dividends thereon, shall be transferred by act of parties or operation of law except to another farmer borrower or an individual eligible to become a borrower, and then only with the approval of the directors of the association. Each holder of class B stock, within two years after he has ceased to be a borrower, shall exchange such class B stock at the fair book value (not to exceed par) thereof, as determined by the association, for class A stock. All stock shall share in dividend distributions without preference, but the directors of the association may, in their discretion, apply the amount of any dividend payable to a holder of class B stock to any indebtedness of such holder to the association. Class A stock shall be preferred as to assets of the association upon liquidation. During such time as any Production Credit Corporation is a holder of any stock of any such association,

the appointment or election of directors, the secretary-treasurer, and the loan committee of such association shall be subject to the approval of the president of the Production Credit Corporation and during such time any such director, secretary-treasurer, or other officer may, at any time, be removed by the president of the Production Credit Corporation. (June 16, 1933, c. 98, § 21, 48 Stat. 260.)

§ 1131f Application of earnings; losses in excess of reserve account; restoration of capital impairment; reserve account; guaranty fund; dividends.—Each Production Credit Association shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses in excess of its reserve for bad and doubtful debts; second, to the restoration of the amount of the impairment, if any, of capital; third, to the creation and maintenance of a reserve account for bad and doubtful debts, the amount of which account shall be prescribed by the Production Credit Corporation; and fourth, to the creation and maintenance of a guaranty fund equal to at least 25 per centum of the paid-in capital of the association. Any sums remaining may, with the approval of the Production Credit Corporation, be devoted to the payment of dividends but no rate of dividend in excess of 7 per centum per annum shall be paid. Sums in the guaranty fund herein provided for shall be invested subject to such rules and regulations as may be prescribed by the Production Credit Corporation. (June 16, 1933, c. 98, § 22, 48 Stat. 261.)

§ 1131g Loans to farmers; terms and conditions.—Each Production Credit Association shall, under such rules and regulations as may be prescribed by the Production Credit Corporation of the district with the approval of the governor, invest its funds and make loans to farmers for general agricultural purposes, but such part of its funds as is represented by the guaranty fund provided for in section 1131f shall not be devoted to making loans to farmers. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the Production Credit Corporation. No loan shall be made for a less amount than \$50, nor shall any one bor-

rower be indebted to the association at any one time in an amount in excess of 20 per centum of the capital and guaranty fund of the association or, if the loan is secured by collateral approved by the Corporation, in an amount in excess of 50 per centum of the capital and guaranty fund, but loans may be made to any borrower in an amount in excess of 50 per centum of the capital and guaranty fund if the loan is approved by the Production Credit Commissioner of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 1311e. (June 16, 1933, c. 98, § 23, 48 Stat. 261.)

Loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this chapter, quoted in full in the footnote to § 1030 of this circular.

§ 1131gg **Same; for home alterations, repairs, and improvements; sale of loans; insurance of loans.—** With the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Production Credit Commissioner, production credit associations organized under the provisions of this subchapter are authorized and empowered (without regard to the provisions of this subchapter relating to the requirement for the ownership of Class B stock or any other limitations therein contained) (1) to make loans to farmers for the purpose of enabling them to make home alterations, repairs, and improvements, (2) to sell, discount, assign, or otherwise dispose of any loans made by them under the provisions of this section, under such restrictions and limitations as to endorsement and liability as may be approved by the Governor of the Farm Credit Administration, (3) to avail themselves of the benefits of insurance under the provisions of section 1703 of this title [Title 12, U. S. Code], and (4) to do all such things as may be reasonably necessary to carry out the provisions of this section. (June 16, 1933, c. 98, § 86(a); June 27, 1934, c. 847, § 504, 48 Stat. 1263.)

§ 1131h **Borrowing from and rediscounting paper with Federal intermediate credit banks; limitation on power to borrow from or rediscount paper with other institutions.**—Production Credit Associations doing business under this subchapter and subchapters V and VI of this chapter are authorized to borrow from, and rediscount paper with, Federal Intermediate Credit Banks subject to the restrictions, limitations, and conditions applicable under subchapter III of this chapter. Except with the approval of the Governor, Production Credit Associations shall not have the power to borrow from or rediscount paper with any other bank or agency. (June 16, 1933, c. 98, § 24, 48 Stat. 261.)

REVOLVING FUND

§ 1131i **Revolving fund.**—(a) There is hereby created a revolving fund of not to exceed \$120,000,000 which shall be made up as follows:

(1) The Reconstruction Finance Corporation is authorized and directed to make available to the Governor of the Farm Credit Administration all unobligated balances of the following funds and all sums heretofore returned or released to the corporation from such funds:

(A) Any balances of funds for, and all collections on loans by, the Secretary of Agriculture pursuant to section 602 of Title 15;

(B) All collections on loans made or to be made pursuant to the Act of February 4, 1933 (Public Numbered 327, Seventy-second Congress);

(C) All balances of funds authorized and directed to be made available to the Secretary of Agriculture by such act and not used for loans pursuant thereto; and

(D) Any balances of the funds originally directed to be allocated and made available to the Secretary of Agriculture by such acts except as expended pursuant to section 1148 of this chapter [subsection (e) of section 605b of Title 15].

(2) There are hereby made available to the Governor of the Farm Credit Administration all unobligated balances of appropriations and funds available thereunder to enable the Secretary of Agriculture to make advances or loans under the following Acts and resolutions, and all repayments of such advances and loans: March 3, 1921 (41 Stat.

§ 1131i 1347), March 20, 1922 (42 Stat. 467), April 26, 1924 (43 Stat. 110), February 28, 1927 (44 Stat. 1251), February 25, 1929 (45 Stat. 1306), as amended May 17, 1929 (46 Stat. 3), March 3, 1930 (46 Stat. 78, 79), December 20, 1930 (46 Stat. 1032), as amended February 14, 1931 (46 Stat. 1160), and February 23, 1931 (46 Stat. 1276), and Public Resolution Numbered 11, Seventy-second Congress, approved March 3, 1932, and the notes or other obligations evidencing such advances and loans and the security therefor are hereby transferred to the Governor of the Farm Credit Administration.

(3) There is hereby authorized to be appropriated the sum of \$40,000,000 out of any money in the Treasury not otherwise appropriated.

(b) There is hereby authorized to be appropriated the sum of \$2,000,000, which shall remain available until expended, for all necessary administrative expenses in connection with the establishment and supervision of the Production Credit Corporations and the Production Credit Associations.

(c) The authority of the Governor of the Farm Credit Administration to allocate and expend out of the funds covered by subsection (a) of this section such amounts as he shall deem necessary for salaries, expenses, and all other administrative expenditures in the execution of the functions for which such funds have hitherto been available shall not be deemed to be restricted by this section.

(d) The authority to make loans during the calendar year 1933 pursuant to the Act of February 4, 1933 (Public Numbered 327, Seventy-second Congress), as amended, out of funds made available by that Act shall not be deemed to be restricted by this section.

(e) The amount of all balances, collections, and appropriations allocated under subsection (a) to the revolving fund created thereunder, which is in excess of \$120,000,000, is hereby made available to the Governor of the Farm Credit Administration for the establishment of a revolving fund of not to exceed \$40,000,000. Out of such revolving fund, the Governor is authorized to allocate and, with the approval of the Secretary of the Treasury, to expend such amounts as he deems necessary for subscriptions to the capital stock and/or paid-in surplus of Federal Intermediate Credit Banks. (June 16, 1933, c. 98, § 5, 48 Stat. 258; Jan. 31, 1934, c. 7, §§ 14, 15 (a), 48 Stat. 348.)

§ 1131j **Loans to oyster planters; purchase and discounting paper by Federal intermediate credit banks.**—Subject to the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Production Credit Commissioner, production credit associations organized under this subchapter are authorized to make loans to oyster planters; to sell, discount, assign, or otherwise dispose of any loans made by them under the provisions of this section; and to do any and all other things necessary to carry these provisions into effect. With the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Intermediate Credit Commissioner, the Federal Intermediate Credit Banks are authorized and empowered to discount for or purchase from any production credit association any note, draft, or other such obligation representing a loan or loans made under the provisions of this section; and to make loans or advances direct to any such organization secured by such obligations. (June 18, 1934, c. 574, 48 Stat. 983; June 3, 1935, c. 164, § 17 (c), 49 Stat. 318.)

SUBCHAPTER V.—REGIONAL BANKS FOR COOPERATIVES AND CENTRAL BANK FOR COOPERATIVES²

REGIONAL BANKS

§ 1134 **Establishment; number; location.**—The Governor of the Farm Credit Administration, hereinafter in this subchapter and in subchapter VI referred to as the “governor”, is authorized and directed to organize and charter twelve banks to be known as “Banks for Cooperatives.” One such bank shall be established in each city in which there is located a Federal land bank. The directors of the several Federal land banks shall be ex officio the directors of the respective Banks for Cooperatives. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such banks as may be necessary to carry out the powers and duties conferred upon such banks under this

² See also subchapter VI.

subchapter and subchapter VI. (June 16, 1933, c. 98, § 2, 48 Stat. 257.)

Organization of Production Credit Corporations, see § 1131.
Disqualification of director on conviction of felony or civil judgment for damages for fraud, see § 628a of this chapter, quoted in full in the footnote to § 1022 of this circular.

§ 1134a **Charters and bylaws.**—The charters of the Banks for Cooperatives shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the banks. (June 16, 1933, c. 98, § 3, 48 Stat. 257.)

Charters of Production Credit Corporations, see § 1131a.

§ 1134b **Capital stock; amount; value of shares; payments from revolving fund for stock purchased by Government.**—The capital stock of each Bank for Cooperatives established under section 1134 shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this subchapter, and such amount may be increased or decreased from time to time by the governor in accordance with such needs. Such stock shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this chapter, the governor, on behalf of the United States, shall make payments for stock in the banks and such payments shall be subject to call in whole or in part by the board of directors of the bank with the approval of the governor. (June 16, 1933, c. 98, § 40, 48 Stat. 264.)

§ 1134c **Lending power.**—Subject to such terms and conditions as may be prescribed by the Governor, the banks for cooperatives are authorized: (a) to make loans to cooperative associations as defined in subchapter VII of this chapter, for any of the purposes and subject to the conditions and limitations set forth in such subchapter; (b) to make loans (by way of discount or otherwise) to any bank organized under this subchapter; (c) to buy from, and sell to, any such bank or any Fed-

eral intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation; and (d) to borrow from, and discount or rediscount paper with, any and all such banks. (June 16, 1933, c. 98, § 41, 48 Stat. 264; June 3, 1935, c. 164, § 14, 49 Stat. 316.)

Lending power of Central Bank, see § 1134j.

Loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this chapter, quoted in full in the footnote to § 1030 of this circular.

§ 1134d **Ownership of stock in banks by borrowing associations; earnings and reserves of banks.**—The provisions of sections 1134k and 1134l of this chapter shall apply in the case of Banks for Cooperatives in the same manner and to the same extent as such provisions are applicable to the Central Bank for Cooperatives, except that powers conferred on the chairman of the board of the Central Bank shall be exercised by the boards of directors of the Banks for Cooperatives, subject to the approval of the governor. (June 16, 1933, c. 98, § 42, 48 Stat. 264.)

§ 1134e **Retirement of stock held by Government.**—The governor may at any time require any such bank to retire and cancel stock held by the governor in such bank, if, in the judgment of the governor, the bank has resources available therefor, and amounts received by the governor in any such case shall be credited to the revolving fund created under section 1141d of this chapter. (June 16, 1933, c. 98, § 43, 48 Stat. 265.)

CENTRAL BANK

§ 1134f **Establishment; location.**—The governor is authorized and directed to organize and charter a corporation to be known as the “Central Bank for Cooperatives” with its principal office in the District of Columbia and such other offices as in the opinion of the governor may be necessary. (June 16, 1933, c. 98, § 30, 48 Stat. 261.)

§ 1134g **Board of directors.**—(a) The board of directors of the Central Bank for Cooperatives shall consist of seven members, one of whom shall be the Cooperative Bank Commissioner of the Farm Credit Admin-

istration, who shall be chairman of the board of directors. The other six directors shall be appointed by the governor, of whom the successors of three first appointed shall be appointed from nominees selected by borrowers as provided in subsection (b). The terms of the directors first appointed shall be for one, two, and three years as designated by the governor at the time of appointment and their successors shall hold their offices during a term of three years, but a director appointed to fill a vacancy shall hold his office for the unexpired term of the director whose place he is selected to fill. Any appointed director may at any time be removed for cause by the governor. No compensation shall be paid any director as a director of the corporation but the corporation, subject to the approval of the governor, may allow directors a reasonable per diem and expenses.

(b) The successors of three of the directors first appointed shall be selected one each year by the governor from among individuals nominated by borrowers (except Banks for Cooperatives). The governor shall, not less than sixty days prior to the end of the term of any director whose successor is to be appointed from among nominees as herein provided, or as soon as practicable after a vacancy occurs in the office of such director other than by the expiration of his term, cause notice of the vacancy to be sent to each borrower eligible to vote for nominees. Each such borrower shall be eligible to cast one vote. The governor shall not count any ballot received after the expiration of thirty days after the sending of notice. From those (not exceeding three) receiving the highest number of votes, as shown by his count, the governor shall appoint the director. (June 16, 1933, c. 98, § 31, 48 Stat. 262.)

Disqualification of director on conviction of felony or civil judgment for damages for fraud, see § 682a of this chapter, quoted in full in the footnote to § 1022 of this circular.

§ 1134h **Powers of board of directors; chairman of board.**—The chairman of the board of the corporation shall be the executive officer of the corporation and the powers of the board of directors shall be such powers as may be prescribed in the charter and bylaws. (June 16, 1933, c. 98, § 32, 48 Stat. 262.)

§ 1134i **Capital stock.**—The capital stock of the central bank shall be in such amount as the governor

determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this subchapter, and the governor may from time to time increase or decrease such amount, subject to the limitations contained in sections 1134k and 1134m, in accordance with such needs. The stock of such bank shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this chapter, the governor, on behalf of the United States, shall subscribe for and make payments for stock in the Central Bank and such payments shall be subject to call in whole or in part by the chairman of the board of the Central Bank with the approval of the governor. (June 16, 1933, c. 98, § 33, 48 Stat. 262.)

§ 1134j **Lending power; prevention of duplication of effort on the part of central bank and banks for cooperatives.**—Subject to such terms and conditions as may be prescribed by the Chairman of its Board of Directors, the Central Bank is authorized: (a) to make loans to cooperative associations, as defined in subchapter VII of this chapter, for any of the purposes and subject to the conditions and limitations set forth in such subchapter; (b) to make loans (by way of discount or otherwise) to banks for cooperatives organized under section 1134 of this subchapter; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligations; and (d) to borrow from, and discount or rediscount paper with, any and all such banks.

The governor shall, by regulation or by prescribing the terms of the charters issued to the Central Bank for Cooperatives and the Banks for Cooperatives, or both, provide such limitations, as between the two types of banks, on the classes of borrowers to which loans may be made and the amount of the loans which may be made to individual borrowers, as will best insure the absence of duplication of effort by the two types of banks and will secure the greatest efficiency in extending the benefits of this subchapter to borrowers. (June 16, 1933, c. 98, §§ 34, 38, 48 Stat. 262, 264; June 3, 1935, c. 164, § 13, 49 Stat. 316.)

Loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this chapter, quoted in full in the footnote to § 1030 of this circular.

§ 1134k **Ownership of stock by associations borrowing from bank; payment into bank's guaranty fund by associations not authorized to purchase stock.**—(a) Cooperative associations borrowing from the Central Bank shall be required to own, at the time the loan is made, an amount of stock of the bank equal in fair book value (not to exceed par), as determined by the bank, to \$100 per \$2,000 or fraction thereof of the amount of the loan, except that, in connection with any loan made on the security of commodities, the borrower shall be required to own, at the time the loan is made, only such amount of stock as may be prescribed by rules and regulations of the Governor. Upon discharge of the loan, stock held by the borrowing association may be, and upon the concurrent or subsequent request of the borrowing association shall be, retired and canceled, and the association shall be paid therefor an amount equal to the amount paid for such stock or loaned to subscribe therefor, as the case may be, minus the pro rata impairment, if any, of capital and guaranty fund of the Central Bank, as determined by the Chairman of the Board of the Central Bank.

(b) In any case in which a cooperative association applying for a loan is not authorized, under the law of the State in which it is organized, to subscribe for stock in the Central Bank, the bank shall, in lieu of stock subscription, require the borrowing association to pay into a guaranty fund, or the bank may retain out of the amount of the loan and credit to the guaranty fund, an amount equal to the amount which the borrowing association would have been required to own in stock if such association had been authorized to hold such stock. Upon discharge of its loan, the provisions of the last sentence of subsection (a) shall apply with respect to sums of such association in the guaranty fund in the same manner as if such sums were represented by stock.

(c) In any case where the debt of a borrower to the Central Bank is in default, the bank may, in accordance with rules and regulations prescribed by the Governor, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof (not exceeding par), in total or partial liquidation of the debt, as the case may be. (June 16, 1933, c. 98, § 35, 48 Stat. 263; June 3, 1935, c. 164, § 15, 49 Stat. 318.)

§ 1134l **Earnings and reserves; guaranty fund; surplus; dividends to stockholders and subscribers to guaranty fund; application of dividends on Government-owned stock.**—The Central Bank for Cooperatives shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses incurred; second, to the restoration of the amount of the impairment, if any, of capital and guaranty fund as determined by the chairman of the board; and at least 25 per centum of the remainder of such excess of earnings shall be applied to the creation and maintenance of a surplus equal to at least 25 per centum of the amount of the capital and guaranty fund. Any sums remaining may, with the approval of the chairman of the board, be devoted to the payment of dividends. Subscribers to the guaranty fund shall be entitled to dividends in the same amounts as subscribers to stock. No rate of dividend in excess of 7 per centum per annum shall be paid. Dividends on stock held by the governor, when paid, shall be credited to the revolving fund created under section 1141d of this chapter. (June 16, 1933, c. 98, § 36, 48 Stat. 263.)

§ 1134m **Debentures; amount; security; preparation and issue; custody of collateral.**—The Central Bank is authorized to issue debentures, but the amount of debentures which may be outstanding may not exceed at any one time five times the paid-in capital and surplus of the bank. Such debentures shall be issued at such times and subject to such terms and conditions as the board of directors shall determine but shall bear such interest rates as may be fixed by the chairman of the board. Such debentures shall be secured by collateral which shall be at least equal in value to the amount of debentures outstanding and which shall consist of cash, direct obligations of the United States, or notes or other obligations discounted or purchased or representing loans made under section 1134j. The provisions of law applicable to the preparation and issue of Federal intermediate credit bank debentures shall, so far as applicable, govern the preparation and issue of debentures issued under this section. The governor shall appoint a custodian of such collateral who shall have power

subject to such rules and regulations as the governor may prescribe to approve and accept substitutions of collateral. (June 16, 1933, c. 98, § 37, 48 Stat. 263.)

SUBCHAPTER VI.—PROVISIONS COMMON TO PRODUCTION CREDIT CORPORATIONS, PRODUCTION CREDIT ASSOCIATIONS, REGIONAL AND CENTRAL BANKS FOR COOPERATIVES

§ 1138 **General corporate powers.**—The Central Bank for Cooperatives, and the Production Credit Corporations, the Production Credit Associations, and the Banks for Cooperatives, organized under the two preceding subchapters, shall have succession, until dissolved in accordance with this subchapter or any other Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of their business, to prescribe fees and charges (which in any case shall be subject to the rules and regulations prescribed by the governor) for loans and other services; and shall have such other powers necessary and incident to carrying out their powers and duties under this subchapter or any other Act of Congress as may be provided by the governor in their charters or in any amendments thereto. Each such bank, association, or corporation shall, for the purposes of jurisdiction, be deemed a citizen of the State or District within which its principal office is located. No district court of the United States shall have jurisdiction of any action or suit by or against any Production Credit Corporation or Production Credit Association upon the ground that it was incorporated under this chapter or that the United States owns a majority of the stock in it, nor shall any district court of the United States within the land bank district served by such association or corporation have jurisdiction by removal or otherwise of any suit by or against any such association or corporation except in cases by or against the United States or by or against any officer of the United States and except in cases by or against any receiver of any such corporation or association appointed in accordance with section 1138e. (June 16, 1933, c. 98, § 60, 48 Stat. 266.)

§ 1138a **Examinations; assessments against corporations for cost of examinations.**—At least once each year and at such other times as the governor deems necessary, the Central Bank for Cooperatives, and each Production Credit Corporation, Production Credit Association, and Bank for Cooperatives, organized under this chapter, shall be examined by examiners designated by the governor. The governor shall assess the cost of such examinations against the bank, association, or corporation examined, which shall pay such costs to the governor. The amount so assessed and unpaid shall be a prior lien on all assets of the bank, association, or corporation examined except on assets pledged to secure loans. (June 16, 1933, c. 98, § 61, 48 Stat. 267.)

§ 1138b **Fiscal agents of United States.**—The Central Bank for Cooperatives, the Production Credit Corporations, Production Credit Associations, the Federal Farm Mortgage Corporation, and Banks for Cooperatives, organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and when acting as such shall perform such duties as shall be prescribed by the Secretary of the Treasury. (June 16, 1933, c. 98, § 62, 48 Stat. 267; Jan. 31, 1934, c. 7, § 11, 48 Stat. 347.)

§ 1138c **Tax exemption; realty and tangible personalty as subject to taxation; termination of tax exemption after retirement of Government-owned stock.**—The Central Bank for Cooperatives, and the Production Credit Corporations, Production Credit Associations, and Banks for Cooperatives, organized under this chapter, and their obligations, shall be deemed to be instrumentalities of the United States, and as such, any and all notes, debentures, bonds, and other such obligations issued by such banks, associations, or corporations shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority. Such banks, associations, and corporations, their property, their franchises, capital, reserves, surplus, and other funds, and their income, shall be exempt

from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such banks, associations, and corporations shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. The exemption provided herein shall not apply with respect to any Production Credit Association or its property or income after the stock held in it by the Production Credit Corporation has been retired, or with respect to the Central Bank for Cooperatives, or any Production Credit Corporation or Bank for Cooperatives, or its property or income after the stock held in it by the United States has been retired. (June 16, 1933, c. 98, § 63, 48 Stat. 267.)

§ 1138d **Offenses and penalties—(a) False representation; overvaluation of property.**—Whoever makes any material representation knowing it to be false, or whoever willfully overvalues any property or security, for the purpose of influencing in any way the action of the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any division, officer, or employee thereof, or of any corporation organized under subchapter IV or V of this chapter, or in which a Production Credit Corporation organized under this chapter holds stock, or of any regional agricultural credit corporation established pursuant to subsection (e) of section 605b of Title 15 [U. S. Code], upon any application, advance, discount, purchase or repurchase agreement, or loan, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both. (June 16, 1933, c. 98, § 64 (a), 48 Stat. 267; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(b) Forgery, counterfeiting, alteration, etc., of obligations.—Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, coupon, or paper in imitation of or purporting to be a note, debenture, bond, or other obligation, coupon, or paper issued by the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or by any corporation referred to in subsection (a)

§ 1138d of this section; or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note, debenture, bond, or other obligation, coupon, or paper, purporting to have been issued by the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or by any such corporation, knowing the same to be false, forged, or counterfeited; or (3) falsely alters any note, debenture, bond, or other obligation, coupon, or paper issued or purporting to have been issued by the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or by any such corporation; or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, any of the same as true, knowing it to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both. (June 16, 1933, c. 98, § 64 (b), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(c) Embezzlement, misapplication, etc., of anything of value belonging to corporation or to administration; false entries; unauthorized making, issuing, or assigning of instrument; personally benefiting from business of corporation.—

Whoever, being an employee, officer, or agent of the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or connected in any capacity with any corporation referred to in subsection (a) of this section, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or such corporation or pledged or otherwise intrusted to the same; or (2) with intent to defraud the United States, or any such corporation, or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or of any such corporation, makes any false entry in any book, report, or statement of or to the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any such corporation, or draws any order, or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, mortgage, judgment, or decree thereof; or (3) with

§ 1138d intent to defraud the United States or any corporation referred to in subsection (a) of this section, participates or shares in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other act of any such corporation, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both. (June 16, 1933, c. 98, § 64 (c), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(d) Concealment, conversion, etc., of property mortgaged or pledged to, or held by corporation or administration.—Whoever knowingly, with intent to defraud the United States or any corporation referred to in subsection (a) of this section, shall conceal, remove, dispose of, or convert, to his own use or to that of another, any property mortgaged or pledged to, or held by, the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any such corporation, as security for any obligation, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both. (June 16, 1933, c. 98, § 64 (d), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(e) Applicability of criminal code provisions to transactions of corporations and administration, any Federal intermediate credit bank or the Federal Farm Mortgage Corporation.—The provisions of sections 202 to 207, inclusive, of Title 18 [U. S. Code], insofar as applicable, are extended to apply to contracts or agreements made by the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, its divisions, officers, and employees, and by the corporations referred to in subsection (a) of this section, which, for the purposes hereof, shall be held to include advances, loans, discounts, and purchase and repurchase agreements; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor. (June 16, 1933, c. 98, § 64 (e), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(f) Conspiracy.—Whoever conspires with another to accomplish any of the acts made unlawful by the preceding provisions of this section shall, on conviction thereof, be subject to the same fine or imprisonment, or both, as is applicable in the case of conviction for doing such unlawful act. (June 16, 1933, c. 98, § 64 (f), 48 Stat. 269.)

§ 1138e **Receivership; voluntary liquidation.**—Upon default of any obligation of any Production Credit Corporation, Production Credit Association, or regional Bank for Cooperatives, such bank, association, or corporation may be declared insolvent and placed in the hands of a receiver by the governor and proceedings shall thereupon be had in accordance with the provisions of law relating to the insolvency of national farm loan associations. Any such bank, association, or corporation may, with the consent of the governor, liquidate voluntarily, but only in accordance with such rules and regulations as the governor may prescribe. (June 16, 1933, c. 98, § 65, 48 Stat. 269.)

§ 1138f **Limitation on compensation payable to director, officer, or employee.**—No director, officer, or employee of the Central Bank for Cooperatives, or of any Production Credit Corporation, Production Credit Association, or Bank for Cooperatives shall be paid compensation at a rate in excess of \$10,000 per annum. No officer or employee of the Farm Credit Administration engaged in carrying out the provisions of this subchapter and subchapters IV and V of this chapter shall be paid compensation at a rate in excess of \$10,000 per annum. (June 16, 1933, c. 98, § 66, 48 Stat. 269.)

SUBCHAPTER VII.—AGRICULTURAL MARKETING ACT

HISTORICAL NOTE

This subchapter contains the Agricultural Marketing Act (approved June 15, 1929), as amended.

In view of the amendments to the Agricultural Marketing Act made by the Farm Credit Act of 1933 (approved June 16, 1933) and by the Farm Credit Act of 1935 (approved June 3, 1935), and of the transfer of its administration to the Governor of the Farm Credit Administration by Executive Order No. 6084, set forth at the beginning of this chapter under "Introductory", the provisions of the Act as amended have been transferred to this chapter from Title 7.

From the provisions of subchapter V of this chapter, it will be noted that many of the functions defined in this subchapter may now be exercised through regional banks for cooperatives and a central bank for cooperatives. Subchapter V provides for the establishment of banks for cooperatives with capital stock purchased from the revolving fund created under section 1141d of this subchapter;

and the loaning powers of the banks for cooperatives, under subchapter V, are similar to those originally created under this subchapter and not rescinded by amendments thereto.

The Agricultural Marketing Act was entitled "An Act to establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries."

§ 1141 **Declaration of policy; effective merchandising of agricultural commodities; speculation; cooperative marketing; surpluses; administration of subchapter.**—(a) It is hereby declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products—

(1) by minimizing speculation.

(2) by preventing inefficient and wasteful methods of distribution.

(3) by encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies.

(4) by aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.

(b) There shall be considered as a surplus for the purposes of this subchapter any seasonal or year's total surplus, produced in the United States and either local or national in extent, that is in excess of the requirements for the orderly distribution of the agricultural commodity or is in excess of the domestic requirements for such commodity.

(c) The Farm Credit Administration shall execute the powers vested in it by this subchapter only in such manner as will, in the judgment of the administration, aid to the fullest practicable extent in carrying out the policy above declared. (June 15,

1929, c. 24, § 1, 46 Stat. 11; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141a **Federal Farm Board.**—A Federal Farm Board is hereby created, which shall consist of eight members to be appointed by the President, by and with the advice and consent of the Senate, and of the Secretary of Agriculture, ex officio. In making the appointments the President shall give due consideration to having the major agricultural commodities produced in the United States fairly represented upon the board. The terms of office of the appointed members of the board first taking office after June 15, 1929, shall expire, as designated by the President at the time of nomination, two at the end of the first year, two at the end of the second year, one at the end of the third year, one at the end of the fourth year, one at the end of the fifth year, and one at the end of the sixth year after such date. A successor to an appointed member of the board shall have a term of office expiring six years from the date of the expiration of the term for which his predecessor was appointed, except that any person appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term. One of the appointed members shall be designated by the President as chairman of the board and shall be the principal executive officer thereof. The board shall select a vice chairman who shall act as chairman in case of the absence or disability of the chairman. The board may function notwithstanding vacancies, and a majority of the appointed members in office shall constitute a quorum. Each appointed member shall be a citizen of the United States and shall not actively engage in any other business, vocation, or employment than that of serving as a member of the board; nor shall any appointed member during his term of office engage in the business (except such business as is necessary to the operation of his own farm or farms) of buying and selling, or otherwise be financially interested in, any agricultural commodity or product thereof. Each appointed member shall receive a salary of \$12,000 a year, together with necessary traveling and

subsistence expenses, or per diem allowance in lieu thereof, within the limitations prescribed by law, while away from his official station upon official business. (June 15, 1929, c. 24, § 2, 46 Stat. 11.)

This section rendered obsolete by Executive Order 6084, except insofar as it affects the qualifications, appointment, business engagements, salary, and expenses of the Governor of the Farm Credit Administration, formerly known as chairman of the Federal Farm Board.

§ 1141b **General powers of Farm Credit Administration.**—The Farm Credit Administration—

(1) shall maintain its principal office in the District of Columbia, and such other offices in the United States as in its judgment are necessary.

(2) shall have an official seal which shall be judicially noticed.

(3) shall make an annual report to Congress upon the administration of this subchapter and any other matter relating to the better effectuation of the policy declared in section 1141, including recommendations for legislation.

(4) may make such regulations as are necessary to execute the functions vested in it by this subchapter.

(5) may appoint and fix the salaries of a secretary and such experts, and, in accordance with sections 661–674 of Title 5 [U. S. Code], as amended, and subject to the provisions of the civil service laws, such other officers and employees, as are necessary to execute such functions.

(6) may make such expenditures (including expenditures for rent and personal services at the seat of government and elsewhere, for law books, periodicals, and books of reference, and for printing and binding) as are necessary to execute such functions. Expenditures by the administration shall be allowed and paid upon the presentation of itemized vouchers therefor approved by the governor of the administration. (June 15, 1929, c. 24, § 4, 46 Stat. 13; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Board” and “board”, respectively, and “governor” was substituted for “chairman” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141c **Special powers of administration.**—The administration is authorized and directed—

(1) to promote education in the principles and practices of cooperative marketing of agricultural commodities and food products thereof.

(2) to encourage the organization, improvement in methods, and development of effective cooperative associations.

(3) to keep advised from any available sources and make reports as to crop prices, experiences, prospects, supply, and demand, at home and abroad. (June 15, 1929, c. 24, § 5, 46 Stat. 13; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 50 (a), 48 Stat. 265.)

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Act of June 16, 1933, c. 98, § 50 (a), 48 Stat. 265, repealed paragraph (1) relating to investigations of overproduction and paragraph (5) relating to miscellaneous investigations.

§ 1141d **Revolving fund.**—There is hereby authorized to be appropriated the sum of \$500,000,000, which shall be made available by the Congress as soon as practicable after the approval of this subchapter and shall constitute a revolving fund to be administered by the administration as provided in this subchapter and subchapter V of this chapter. (June 15, 1929, c. 24, § 6, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 33, 34, 40, 41, 48 Stat. 262, 264.)

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For use of revolving fund in purchasing capital stock in regional and central banks for cooperatives, see sections 1134b and 1134i of subchapter V.

§ 1141e **Loans to cooperative associations.**—(a) Upon application by any cooperative association the administration is authorized to make loans to it from the revolving fund [provided for in section 1141d] to assist in—

(1) the effective merchandising of agricultural commodities and food products thereof and the financing of its operations;

(2) the construction or acquisition by purchase or lease, or refinancing the cost of such construction or acquisition, of physical facilities.

(b) No loan shall be made to any cooperative association unless, in the judgment of the administration, the loan is in furtherance of the policy declared in section 1141 and the cooperative association applying for the loan has an organization and management, and business policies, of such character as to insure the reasonable safety of the loan and the furtherance of such policy.

(c) Loans for the construction or acquisition by purchase or lease of physical facilities, or for refinancing the cost of such construction or acquisition [acquisition], shall be subject to the following conditions:

(1) No loan shall be made in an amount in excess of 60 per centum of the appraised value of the security therefor.

(2) No loan for the purchase or lease of such facilities shall be made unless the Governor of the Farm Credit Administration finds that the purchase price or rent to be paid is reasonable.

(d) Loans for the construction or purchase of physical facilities, together with interest on the loans, shall be repaid upon an amortization plan over a period not in excess of twenty years. (June 15, 1929, c. 24, § 7, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 50-53, 48 Stat. 265; June 3, 1935, c. 164, §§ 9, 10, 49 Stat. 316.)

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Subsection (a) of this section originally contained a third paragraph, relating to loans to assist in forming clearing house associations, which was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933.

Subsection (a) of this section originally contained a fourth paragraph, relating to loans for education in the advantages of cooperative marketing, which was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933.

Subsection (a) of this section originally contained a fifth paragraph, as follows: "(5) enabling the cooperative association applying for the loan to advance to its members a greater share of the market price of the commodity delivered to the association than is practicable under other credit facilities."

This paragraph was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933, subject to the following provision of section 50 (b) of that Act:

"The repeal of section 7 (a) (5) shall not be construed to prohibit the extension, renewal, or refinancing of any loan made thereunder and outstanding on the date of the enactment of this Act, but loans to extend, renew, or refinance any such loan shall bear interest rates as determined under section 8 (a) of the Agricultural Marketing Act as amended by section 54 of this Act."

See sections 1134c and 1134j of subchapter V for loans to cooperative associations by banks for cooperatives, established under the Farm Credit Act of June 16, 1933, and capitalized from the revolving fund provided for in § 1141d hereof.

§ 1141f **Miscellaneous loan provisions.**—(a) Loans to any cooperative association shall bear such rates of interest as the Governor of the Farm Credit Administration shall from time to time determine to be necessary for the needs of the lending agencies and shall by regulation prescribe (but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal): *Provided, however,* That the rate of interest on any loan made under the provisions of section 1141e (a) (1) hereof, other than upon the security of commodities, shall conform as

nearly as may be practicable to a rate 1 per centum in excess of the prevailing interest rate paid by production credit associations to the Federal intermediate credit bank of the land bank district in which the principal business office of the borrower is located; the rate of interest on any loan made upon the security of commodities shall conform, as nearly as may be practicable, to the prevailing interest rate on commodity loans charged borrowers from the Federal intermediate credit bank of the land bank district in which the principal business office of the borrower is located; and that the rate of interest on any loan made under the provisions of section 1141e (a) (2) hereof shall conform as nearly as may be practicable to the prevailing rate on mortgage loans made to members of national farm loan associations.

(b) Payments of principal or interest upon any such loan or advance shall be covered into the revolving fund [provided for in section 1141d].

(c) Loans to any cooperative association or stabilization corporation shall be made upon the terms specified in this subchapter and upon such other terms not inconsistent therewith and upon such security as the administration deems necessary.

(d) No loan or insurance agreement shall be made by the administration if in its judgment the agreement is likely to increase unduly the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual marketing requirements. (June 15, 1929, c. 24, § 8, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 54, 48 Stat. 266; June 3, 1935, c. 164, § 11, 49 Stat. 316.)

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

See § 1141g and note thereto.

§ 1141g **Stabilization corporations.**—(a) The administration may, upon application of the advisory commodity committee for any commodity, recognize as a stabilization corporation for the commodity any corporation if—

(1) The administration finds that the marketing situation with respect to the agricultural commodity requires or may require the establishment of a stabilization corporation in order effectively to carry out the policy declared in section 1141; and

§ 1141g (2) The administration finds that the corporation is duly organized under the laws of a State or Territory; and

(3) The administration finds that all the outstanding voting stock or membership interests in the corporation are and may be owned only by cooperative associations handling the commodity; and

(4) The corporation agrees with the administration to adopt such bylaws as the administration may from time to time require, which bylaws, among other matters, shall permit cooperative associations not stockholders or members of the corporation to become stockholders or members therein upon equitable terms.

(b) Any stabilization corporation for an agricultural commodity (1) may act as a marketing agency for its stockholders or members in preparing, handling, storing, processing, and merchandising for their account any quantity of the agricultural commodity or its food products, and (2) for the purpose of controlling any surplus in the commodity in furtherance of the policy declared in section 1141, may prepare, purchase, handle, store, process, and merchandise, otherwise than for the account of its stockholders or members, any quantity of the agricultural commodity or its food products whether or not such commodity or products are acquired from its stockholders or members.

(c) Upon request of the advisory committee for any commodity the administration is authorized to make loans from the revolving fund to the stabilization corporation for the commodity for working capital to enable the corporation to act as a marketing agency for its stockholders or members as hereinbefore provided. Not less than 75 per centum of all profits derived by a stabilization corporation each year from its operations as such a marketing agency shall be paid into a merchandising reserve fund to be established by the corporation. No such payment shall be required whenever the fund is in such amount as, in the judgment of the administration, constitutes a sufficient reserve for such operations of the corporation. Out of the remainder of such profits for the year the corporation shall repay any outstanding loan made under this subdivision and the accrued interest thereon, or if all such loans and accrued interest have been fully repaid, then it may dis-

§ 1141g tribute a patronage dividend to its stockholders or members. Such patronage dividend shall be paid to each stockholder or member on the basis of the total volume of the commodity or its products for the year marketed for his account through the corporation.

(d) Upon request of the advisory committee for any commodity the administration is authorized to make loans from the revolving fund to the stabilization corporation for the commodity to enable the corporation to control any surplus in the commodity as hereinbefore provided and for meeting carrying and handling charges and other operating expenses in connection therewith. The administration shall require a stabilization corporation to establish and maintain adequate reserves from its profits from its surplus control operations before it shall pay any dividends out of such profits. All losses of the corporation from such operations shall be paid from such reserves, or if such reserves are inadequate, then such losses shall be paid by the administration as a loan from the revolving fund. Any amounts so loaned for payment of losses shall be repaid into the revolving fund by the corporation from future profits from its surplus control operations. Any stabilization corporation receiving loans under this subdivision for surplus control operations shall exert every reasonable effort to avoid losses and to secure profits, but shall not withhold any commodity from the domestic market if the prices have become unduly enhanced, resulting in distress to domestic consumers. Stockholders or members of the corporation shall not be subject to assessment for any losses incurred in surplus control operations of the corporation.

(e) A stabilization corporation shall keep such accounts, records, and memoranda, and make such reports with respect to its transactions, business methods, and financial condition, as the administration may from time to time prescribe; shall permit the administration to audit its accounts annually and at such other times as the administration deems advisable; and shall permit the administration, upon its own initiative or upon written request of any stockholder or member, to investigate the financial condition and business methods of the corporation.

(f) No loan shall be made to any stabilization corporation unless, in the judgment of the administration, the loan is in furtherance of the policy de-

clared in section 1141. (June 15, 1929, c. 24, § 9, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084.)

This section constituted § 9 of the Agricultural Marketing Act of June 15, 1929. The powers and duties originally vested in the Federal Farm Board by this section were vested in the Farm Credit Administration, by § 3 of Executive Order No. 6084, subject to the following provisions of § 6 of that Order:

"The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions."

The "Advisory Commodity Committees" to which reference is made in this section were provided for by § 3 of the Agricultural Marketing Act of June 15, 1929, which section was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933.

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141h **Avoidance of duplication; cooperation with other governmental establishments; obtaining information and data; cooperation with States, Territories, and agencies or subdivisions thereof; indicating research problems; transfer of offices, functions, etc.**—(a) The administration shall, in cooperation with any governmental establishment in the Executive branch of the Government, including any field service thereof at home or abroad, avail itself of the services and facilities thereof in order to avoid preventable expense or duplication of effort.

(b) The President may by Executive order direct any such governmental establishment to furnish the administration such information and data as such governmental establishment may have pertaining to the functions of the administration [under this subchapter]; except that the President shall not direct that the administration be furnished with any information or data supplied by any person in confidence to any governmental establishment in pursuance of any provision of law or of any agreement with a governmental establishment.

(c) The administration may cooperate with any State or Territory, or department, agency, or political subdivision thereof, or with any person.

(d) The administration shall, through the governor, indicate to the appropriate bureau or division of the Department of Agriculture any special problem on which a research is needed to aid in carrying out the provisions of this subchapter.

(e) The President is authorized, by Executive

order, to transfer to or retransfer from the jurisdiction and control of the administration the whole or any part of (1) any office, bureau, service, division, commission, or board in the Executive branch of the Government engaged in scientific or extension work, or the furnishing of services, with respect to the marketing of agricultural commodities, (2) its functions pertaining to such work or services, and (3) the records, property, including office equipment, personnel, and unexpended balances of appropriation, pertaining to such work or services. (June 15, 1929, c. 24, § 13, 46 Stat. 17; Mar. 27, 1933, Ex. Or. 6084.)

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141i **Examination of books and accounts; limitation on purpose of examination respecting expenditures from revolving fund.**—Vouchers approved by the Governor of the Farm Credit Administration for expenditures from the revolving fund [provided for in section 1141d] pursuant to any loan or advance or from insurance moneys pursuant to any insurance agreement, shall be final and conclusive upon all officers of the Government; except that all financial transactions of the administration shall, subject to the above limitations, be examined by the General Accounting Office at such times and in such manner as the Comptroller General of the United States may by regulation prescribe. Such examination, with respect to expenditures from the revolving fund pursuant to any loan or advance or from insurance moneys pursuant to any insurance agreement, shall be for the sole purpose of making a report to the Congress and to the Administration of expenditures and of loan and insurance agreements in violation of law, together with such recommendations thereon as the Comptroller General deems advisable. (June 15, 1929, c. 24, § 14, 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

Insurance agreements, to which reference is made in this section, were authorized to be made by § 11 of the Agricultural Marketing Act of June 15, 1929, which section was repealed by § 50 (a) of the Farm Credit Act of June 16, 1933. The provision, as originally contained in the Agricultural Marketing Act, authorized the Federal Farm Board, upon application of cooperative associations, to enter into agreements, subject to specified conditions for the insurance of the associations against loss through price decline in the agricultural commodity handled by the associations and produced by the members thereof.

"Governor of the Farm Credit Administration" and "administration" mentioned in the text were substituted for "chairman of the board" and "board", respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141j **Miscellaneous provisions — (a) “Cooperative association” defined.**—As used in this subchapter the term “cooperative association” means any association in which farmers act together in processing, preparing for market, handling, and/or marketing the farm products of persons so engaged, and also means any association in which farmers act together in purchasing, testing, grading, processing, distributing, and/or furnishing farm supplies and/or farm business services: *Provided, however,* That such associations are operated for the mutual benefit of the members thereof as such producers or purchasers and conform to one or both of the following requirements:

First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; and

Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum.

And in any case to the following:

Third. That the association shall not deal in farm products, farm supplies, and farm business services with or for nonmembers in an amount greater in value than the total amount of such business transacted by it with or for members. All business transacted by any cooperative association for or on behalf of the United States or any agency or instrumentality thereof shall be disregarded in determining the volume of member and nonmember business transacted by such association. (June 15, 1929, c. 24, § 15 (a), 46 Stat. 18; June 16, 1933, c. 98, § 55, 48 Stat. 266; June 3, 1935, c. 164, § 12, 49 Stat. 317.)

(b) Speculation prohibited.—It shall be unlawful for the governor, or any officer or employee of the Farm Credit Administration [engaged in the administration of this subchapter] to speculate, directly or indirectly, in any agricultural commodity or product thereof, or in contracts relating thereto, or in the stock or membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any person violating this subdivision shall upon conviction thereof be fined not more than \$10,000, or imprisoned not more than 10 years, or both. (June 15, 1929, c. 24, § 15 (b), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

“The governor” and “Farm Credit Administration” mentioned in the text were substituted for “any member” and “board”, respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141j **(c) Confidential information; disclosure prohibited.**—It shall be unlawful (1) for any cooperative association, stabilization corporation, clearing house association, or commodity committee, or (2) for any director, officer, employee, or member or person acting on behalf of any such association, corporation, or committee, to which or to whom information has been imparted in confidence by the administration, to disclose such information in violation of any regulation of the administration. Any such association, corporation, or committee, or director, officer, employee, or member thereof, violating this subdivision, shall be fined not more than \$5,000, or imprisoned not more than 5 years, or both. (June 15, 1929, c. 24, § 15 (c), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(d) Governmental publications; predictions as to cotton prices prohibited.—The inclusion in any governmental report, bulletin, or other such publication hereafter issued or published of any prediction with respect to cotton prices is hereby prohibited. Any officer or employee of the United States who authorizes or is responsible for the inclusion in any such report, bulletin, or other publication of any such prediction, or who knowingly causes the issuance or publication of any such report, bulletin, or other publication containing any such prediction, shall, upon conviction thereof, be fined not less than \$500 or more than \$5,000, or imprisoned for not more than 5 years, or both: *Provided*, That this subdivision shall not apply to the Governor of the Farm Credit Administration when engaged in the performance of his duties herein provided. (June 15, 1929, c. 24, § 15 (d), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of the Farm Credit Administration” mentioned in the text was substituted for “members of the board”, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(e) Separability clause.—If any provision of this subchapter is declared unconstitutional, or the applicability thereof to any person, circumstance, commodity, or class of transactions with respect to any commodity is held invalid, the validity of the remainder of the subchapter and the applicability

§ 1141j of such provision to other persons, circumstances, commodities, and classes of transactions shall not be affected thereby. (June 15, 1929, c. 24, § 15 (e), 46 Stat. 18.)

(f) **Citation of subchapter.**—This subchapter may be cited as the “Agricultural Marketing Act.” (June 15, 1929, c. 24, § 15 (f), 46 Stat. 18.)

(g) **“Agricultural commodity”; definition.**—As used in this subchapter, the term “agricultural commodity” includes, in addition to other agricultural commodities, crude gum (oleoresin) from a living tree, and the following products as processed by the original producer of the crude gum (oleoresin) from which derived: Gum spirits of turpentine and gum rosin, as defined in section 92 of Title 7 [U. S. Code]. (June 15, 1929, c. 24, § 15 (g), 46 Stat. 18; Mar. 4, 1931, c. 520, § 3, 46 Stat. 1550.)

SUBCHAPTER VIII.—REGIONAL AGRICULTURAL CREDIT CORPORATIONS

HISTORICAL NOTE

The Executive Order of March 27, 1933, set forth at the beginning of this chapter under “Introductory”, transferred to the jurisdiction and control of the Farm Credit Administration the functions defined in section 5 (e) of the Order, as follows: “The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional agricultural credit corporations formed under section 201 (e) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof.”

The section of the Emergency Relief and Construction Act of July 21, 1932, to which reference is made in the above quoted paragraph of the Executive Order, is contained in section 605 (e) of Title 15 [U. S. Code], and is also incorporated in this subchapter.

§ 1148 **Regional agricultural credit corporations; creation; capital; management; loans; rediscounts; supervision.**—The Reconstruction Finance Corporation is authorized to create in any of the twelve Federal land bank districts where it may deem the same to be desirable a regional agricultural credit corporation with a paid-up capital of not less than \$3,000,000, to be subscribed for by the Reconstruction Finance Corporation and paid

for out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 602 of Title 15 [U. S. Code]. Such corporations shall be managed by officers and agents to be appointed by the Farm Credit Administration under such rules and regulations as it may prescribe. Such corporations are hereby authorized and empowered to make loans or advances to farmers and stockmen, the proceeds of which are to be used for an agricultural purpose (including crop production), or for the raising, breeding, fattening, or marketing of livestock, to charge such rates of interest or discount thereon as in their judgment are fair and equitable, subject to the approval of the Farm Credit Administration, and to rediscount with the Reconstruction Finance Corporation and the various Federal reserve banks and Federal intermediate credit banks any paper that they acquire which is eligible for such purpose. All expenses incurred in connection with the operation of such corporations shall be supervised and paid by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe. (July 21, 1932, c. 520, § 201 (e), 47 Stat. 713; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Reconstruction Finance Corporation” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1148a **Reduction of capital stock of regional agricultural credit corporation; revolving fund from stock proceeds.**—The Reconstruction Finance Corporation is authorized, with the approval of the Governor of the Farm Credit Administration, to reduce the capital of any Regional Agricultural Credit Corporation by such action as may be suitable for the purpose. The funds made available by any such reduction shall constitute a revolving fund, all or any part of which shall be available for use from time to time by the Reconstruction Finance Corporation for the purpose of increasing, with the approval of the Governor of the Farm Credit Administration, the capital of any Regional Agricultural Credit Corporation. (June 16, 1933, c. 98, § 84, 48 Stat. 273.)

CHAPTER 14.—FEDERAL CREDIT UNIONS

§ 1751 **Citation of chapter.**—This chapter may be cited as the “Federal Credit Union Act”. (June 26, 1934, c. 750, § 1, 48 Stat. 1216.)

§ 1752 **Definitions.**—A Federal credit union is hereby defined as a cooperative association organized in accordance with the provisions of this chapter for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes. When used in this chapter the term “Administration” means Farm Credit Administration, and the term “Governor” means the Governor thereof. (June 26, 1934, c. 750, § 2, 48 Stat. 1216.)

§ 1753 **Federal credit union organization.**—Any seven or more natural persons who desire to form a Federal credit union shall subscribe before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—

- (1) The name of the association.
- (2) The location of the proposed Federal credit union and the territory in which it will operate.
- (3) The names and addresses of the subscribers to the certificate and the number of shares subscribed by each.
- (4) The par value of the shares, which shall be \$5 each.
- (5) The proposed field of membership, specified in detail.
- (6) The term of the existence of the corporation, which may be perpetual.
- (7) The fact that the certificate is made to enable such persons to avail themselves of the advantages of this chapter.

Such organization certificate may also contain any provisions approved by the Governor for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders. (June 26, 1934, c. 750, § 3, 48 Stat. 1217.)

§ 1754 **Approval of organization certificate.**— Any such organization certificate shall be presented to

the Governor for approval. Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all the liabilities conferred and imposed by this chapter upon corporations organized hereunder. Before any organization certificate is approved an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this chapter; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Governor it shall be the charter of the corporation, and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. (June 26, 1934, c. 750, § 4, 48 Stat. 1217.)

§ 1755 **Fees.**—For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Governor, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. During December of each calendar year each Federal credit union shall pay to the Administration a fee of not to exceed \$10, to be fixed by the Governor, for the cost of supervision: *Provided, however,* That no such annual fee shall be payable by such an organization for the fractional part of the first calendar year during which it is formed. All such fees shall be deposited with the Treasurer of the United States for the account of the Administration and may be expended by the Governor for such administrative and other expenses incurred in carrying out the provisions hereof as he may determine to be proper, the purpose of such fees being to defray, as far as practicable, the administrative and supervisory costs incident to the carrying out of this chapter. (June 26, 1934, c. 750, § 5, 48 Stat. 1217.)

§ 1756 **Reports and examinations.**—Federal credit unions shall be under the supervision of the Governor, and shall make such financial reports to him (at

least annually) as he may require. Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to any person designated by the Governor. The Governor shall fix a scale of examination fees designed, as far as is practicable, so that in each case the fee to be paid shall equal the expense of such examination, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of any such examination: *Provided, however,* That if a Federal credit union has assets of less than \$25,000 the Governor may accept the audit report of a practicing public accountant in place of such examination and may relieve such Federal credit union of the obligation to pay the examination fee required by this section. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section 1755 hereof, and shall be available for the purposes specified in said section 1755. (June 26, 1934, c. 750, § 6, 48 Stat. 1218.)

§ 1757 **Powers.**—A Federal credit union shall have succession in its corporate name during its existence and shall have power—

- (1) To make contracts.
- (2) To sue and be sued.
- (3) To adopt and use a common seal and alter the same at pleasure.
- (4) To purchase, hold, and dispose of property necessary and incidental to its operations.
- (5) To make loans with maturities not exceeding two years to its members for provident or productive purposes upon such terms and conditions as this chapter and the bylaws provide and as the credit committee may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances (inclusive of all charges incident to making the loan): *Provided,* That no loans to a director, officer, or member of a committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof. No director, officer, or committee member shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day.
- (6) To receive from its members payments on shares.

(7) To invest its funds (a) in loans exclusively to members; (b) in obligations of the United States

of America, or securities fully guaranteed as to principal and interest thereby.

(8) To make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business.

(9) To borrow (from any source) in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: *Provided*, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital, subject to such rules and regulations as may be prescribed by the Governor.

(10) To fine members, in accordance with the by-laws, for failure to meet promptly their obligations to the Federal credit union.

(11) To impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or fines payable by him.

(12) To exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated. (June 26, 1934, c. 750, § 7, 48 Stat. 1218.)

§ 1758 **Bylaws.**—In order to simplify the organization of Federal credit unions the Governor shall, on June 26, 1934, cause to be prepared a form of organization certificate and a form of bylaws, consistent with this chapter, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Governor for his approval. (June 26, 1934, c. 750, § 8, 48 Stat. 1219.)

§ 1759 **Membership.**—Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Governor, as may be elected to membership and as shall, each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that Federal credit union membership shall be limited to groups

having a common bond of occupation, or association, or to groups within a well-defined neighborhood, community, or rural district. (June 26, 1934, c. 750, § 9, 48 Stat. 1219.)

§ 1760 **Members' meetings.**—The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote. (June 26, 1934, c. 750, § 10, 48 Stat. 1219.)

§ 1761 **Management—(a) Generally.**—The business affairs of a Federal credit union shall be managed by a board of not less than five directors, a credit committee of not less than three members, and a supervisory committee of three members (a majority of whom shall not be directors) all to be elected by the members (and from their number) at their annual meeting, and to hold office for such terms, respectively, as the bylaws may provide. A record of the names and addresses of the members of the board and committees and officers shall be filed with the Administration within ten days after their election. No member of the board or of either committee shall, as such be compensated.

(b) Officers.—At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, a vice president, a clerk, and a treasurer, who shall be the executive officers of the corporation and may be compensated for their services to such extent as the bylaws may provide. The offices of clerk and treasurer may be held by the same person. The duties of the officers shall be as determined by the bylaws, except that the treasurer shall be the general manager of the corporation. Before the treasurer shall enter upon his duties he shall give bond with good and sufficient surety, in an amount and character to be determined from time to time by the board of di-

§ 1761 rectors, conditioned upon the faithful performance of his trust.

(c) Directors.—The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things they shall act upon applications for membership; fix the amount and character of the surety bond required of any officer having custody of funds; recommend the declaration of dividends; fill vacancies in the board and in the credit committee until successors elected at the next annual meeting have qualified; have charge of investments other than loans to members; determine from time to time the maximum number of shares that may be held by any individual; and, subject to the limitations of this chapter, determine the interest rates on loans and the maximum amount that may be loaned with or without security to any member.

(d) Credit committee.—The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month (of which meetings due notice shall be given to members of the committee by the treasurer) to consider applications for loans. No loan shall be made unless approved by a majority of the entire committee and by all of the members of the committee who are present at the meeting at which the application is considered. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan in excess of \$50 shall be made without adequate security and no loan shall be made to any member in excess of \$200 or 10 per centum of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater. For the purposes of this subdivision an assignment of shares or the endorsement of a note shall be deemed security.

(e) Supervisory committee.—The supervisory committee shall make, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; shall make an annual audit and a report to be submitted at the annual meeting of the corporation; and, by a unanimous vote, may suspend any officer of the corporation, or any member of the credit com-

mittee or of the board of directors until the next members' meeting, which said meeting, however, shall be held within seven days of said suspension and at which meeting said suspension shall be acted upon by the members; and, by a majority vote, may call a special meeting of the shareholders to consider any violation of this chapter, the charter, or of the bylaws, or any practice of the corporation deemed by the committee to be unsafe or unauthorized. The said committee shall fill vacancies in its own membership until successors to be elected at the next annual meeting have qualified. The supervisory committee shall cause the pass-books and accounts of the members to be verified with the records of the treasurer from time to time and not less frequently than once every two years. (June 26, 1934, c. 750, § 11, 48 Stat. 1219.)

§ 1762 **Reserves.**—All entrance fees and fines provided by the bylaws and 20 per centum of the net earnings of each year, before the declaration of any dividends, shall be set aside, subject to terms and conditions specified in the bylaws, as a reserve fund against possible bad loans. (June 26, 1934, c. 750, § 12, 48 Stat. 1221.)

§ 1763 **Dividends.**—At the annual meeting a dividend may be declared from the remaining net earnings on recommendation of the board of directors, which dividend shall be paid on all paid-up shares outstanding at the end of the preceding fiscal year. Shares which become fully paid up during such year shall be entitled to a proportional part of said dividend calculated from the 1st day of the month following such payment in full. (June 26, 1934, c. 750, § 13, 48 Stat. 1221.)

§ 1764 **Expulsion and withdrawal.**—A member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after an opportunity has been given him to be heard. Withdrawal or expulsion of a member shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in the manner specified in the bylaws. (June 26, 1934, c. 750, § 14, 48 Stat. 1221.)

§ 1765 **Minors.**—Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. The name of the beneficiary shall be disclosed to the Federal credit union. (June 26, 1934, c. 750, § 15, 48 Stat. 1221.)

§ 1766 **Certain powers of Governor.**—(a) The Governor may prescribe rules and regulations for the administration of this chapter (including, but not by way of limitation, the merger, consolidation, and/or dissolution of corporations organized under this chapter).

(b) The Governor may suspend or revoke the charter of any Federal credit union upon his finding that the organization is bankrupt or insolvent or has violated any provisions of its charter, its bylaws, or of this chapter, or of any regulations issued thereunder.

(c) The Governor is hereby authorized and empowered to execute any and all functions and perform any and all duties vested in him hereby, through such persons as he shall designate or employ; and he may delegate to any person or persons, including any institution operating under the general supervision of the Administration, the performance and discharge of any authority, power, or function vested in him by this chapter.

(d) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Governor. (June 26, 1934, c. 750, § 16, 48 Stat. 1221.)

§ 1767 **Fiscal agents and depositories.**—Each Federal credit union organized under this chapter, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States, including the issue, sale, redemption or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes the Governor shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information

concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury. (June 26, 1934, c. 750, § 17, 48 Stat. 1222.)

§ 1768 **Taxation.**—Nothing contained in this chapter shall prevent the shares of stock in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders of such shares in assessing taxes imposed by authority of the State in which the Federal credit union is located or shall prevent the taxation of any Federal credit union or its property by authority of such State in the manner and not to exceed the rate imposed upon domestic banking corporations. (June 26, 1934, c. 750, § 18, 48 Stat. 1222.)

§ 1769 **Appropriation for administration.**—Not to exceed \$50,000 of the fund available to the Governor under section 1404 of this title [Chapter 10, Title 12, U. S. Code], for expenses of administration in connection with loans made thereunder to aid in the establishment of agricultural credit corporations, is hereby made available also for administrative expenses in administering this chapter. (June 26, 1934, c. 750, § 19, 48 Stat. 1222.)

§ 1770 **Separability of provisions; right to alter, amend, or repeal chapter.**—(a) If any provision of this chapter, or the application thereof to any person or circumstance, is held invalid, the remainder of the chapter, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this chapter or any part thereof, or any charter issued pursuant to the provisions of this chapter, is expressly reserved. (June 26, 1934, c. 750, § 20, 48 Stat. 1222.)

CHAPTER 18.—COOPERATIVE MARKETING ACT

§ 451 **Division of cooperative marketing; definitions.**—When used in this chapter the term “agricultural products” means agricultural, horticultural, viticultural, and dairy products, livestock and the products thereof, the products of poultry and bee raising, the edible products of forestry, and any and all products raised or produced on farms and processed or manufactured products thereof, transported or intended to be transported in interstate and/or foreign commerce. (July 2, 1926, c. 725, § 1, 44 Stat. 802.)

§ 452 **Establishment of division.**—The Governor of the Farm Credit Administration is hereby authorized and directed to establish a division of cooperative marketing with suitable personnel in the Farm Credit Administration. Such division shall be under the direction and supervision of the Governor of the Farm Credit Administration. (July 2, 1926, c. 725, § 2, 44 Stat. 802; Oct. 1, 1929, Ex. Or. 5200; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of Farm Credit Administration” and “Farm Credit Administration” mentioned in the text were substituted for “Secretary of Agriculture” and “Department of Agriculture”, respectively, pursuant to the Executive Orders cited thereto, which are set out in full at the beginning of this circular.

§ 453 **Authority and duties of division.**—(a) The division shall render service to associations of producers of agricultural products, and federations and subsidiaries thereof, engaged in the cooperative marketing of agricultural products, including processing, warehousing, manufacturing, storage, the cooperative purchasing of farm supplies, credit, financing, insurance, and other cooperative activities.

(b) The division is authorized—

(1) To acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries.

(2) To conduct studies of the economic, legal, financial, social, and other phases of cooperation, and publish the results thereof. Such studies shall include the analyses of the organization, operation, financial, and merchandising problems of cooperative associations.

(3) To make surveys and analyses if deemed advisable of the accounts and business practices of representative cooperative associations upon their request; to report to the association so surveyed the results thereof; and with the consent of the association so surveyed to publish summaries of the results of such surveys, together with similar facts, for the guidance of cooperative associations and for the purpose of assisting cooperative associations in developing methods of business and market analysis.

(4) To confer and advise with committees or groups of producers, if deemed advisable, that may be desirous of forming a cooperative association and to make an economic survey and analysis of the facts surrounding the production and marketing of the agricultural product or products which the association, if formed, would handle or market.

(5) To acquire from all available sources information concerning crop prospects, supply, demand, current receipts, exports, imports, and prices of the agricultural products handled or marketed by cooperative associations, and to employ qualified commodity marketing specialists to summarize and analyze this information and disseminate the same among cooperative associations and others.

(6) To promote the knowledge of cooperative principles and practices and to cooperate, in promoting such knowledge, with educational and marketing agencies, cooperative associations, and others.

(7) To make such special studies, in the United States and foreign countries, and to acquire and disseminate such information and findings as may be useful in the development and practice of cooperation. (July 2, 1926, c. 725, § 3, 44 Stat. 802.)

§ 454

Advisers to counsel with Governor of the Farm Credit Administration; expenses and subsistence.—The Governor of the Farm Credit Administration is authorized, in his discretion, to call advisers to counsel with him and/or his representatives relative to specific problems of cooperative marketing of farm products or any other cooperative activity. Any person, other than an officer, agent, or employee of the United States, called into conference, as provided for in this section, may be paid actual transportation expenses and not to exceed \$10 per diem to cover subsistence and other expenses

while in conference and en route from and to his home. (July 2, 1926, c. 725, § 4, 44 Stat. 803; Oct. 1, 1929, Ex. Or. 5200; Mar. 27, 1933, Ex. Or. 6084.)

"Governor of Farm Credit Administration" mentioned in the text was substituted for "Secretary of Agriculture" pursuant to the Executive Orders cited thereto, which are set out in full at the beginning of this circular.

§ 455 **Dissemination of crop, market, etc., information by cooperative marketing associations.**—Persons engaged, as original producers of agricultural products, such as farmers, planters, ranchmen, dairymen, nut or fruit growers, acting together in associations, corporate or otherwise, in collectively processing, preparing for market, handling, and marketing in interstate and/or foreign commerce such products of persons so engaged, may acquire, exchange, interpret, and disseminate past, present, and prospective crop, market, statistical, economic, and other similar information by direct exchange between such persons, and/or such associations or federations thereof, and/or by and through a common agent created or selected by them. (July 2, 1926, c. 725, § 5, 44 Stat. 803.)

§ 456 **Rules and regulations; appointment, removal, and compensation of employees; expenditures; appropriations.**—The Governor of the Farm Credit Administration may make such rules and regulations as may be deemed advisable to carry out the provisions of this chapter and may cooperate with any department or agency of the Government, any State, Territory, District, or possession, or department, agency, or political subdivision thereof, or any person; and may call upon any other Federal department, board, or commission for assistance in carrying out the purposes of this chapter; and shall have the power to appoint, remove, and fix the compensation of such officers and employees not in conflict with existing law and make such expenditure for rent, outside the District of Columbia, printing, telegrams, telephones, books of reference, books of law, periodicals, newspapers, furniture, stationery, office equipment, travel, and other supplies and expenses as shall be necessary to the administration of this chapter in the District of Columbia and elsewhere, and there is hereby authorized to be appropriated, out of any moneys in the Treasury not

otherwise appropriated, such sums as may be necessary after the fiscal year 1927, for carrying out the purposes of this chapter. (July 2, 1926, c. 725, § 6, 44 Stat. 803; Oct. 1, 1929, Ex. Or. 5200; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of Farm Credit Administration” mentioned in the text was substituted for “Secretary of Agriculture” pursuant to the Executive Orders cited thereto, which are set out in full at the beginning of this circular.

§ 457 **Partial invalidity of chapter.**—If any provision of this chapter is declared unconstitutional or the applicability thereof to any person or circumstance is held invalid, the validity of the remainder of the chapter and the applicability of such provision to other persons and circumstances shall not be affected thereby, and nothing contained in this chapter is intended, nor shall be construed, to modify or repeal any of the provisions of sections 291 and 292 of this title [Title 7, U. S. Code]. (July 2, 1926, c. 725, § 7, 44 Stat. 803.)



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July

FARM CREDIT ADMINISTRATION

Circular No. 20

LAWS

Administered by the

FARM CREDIT ADMINISTRATION

AS AMENDED TO JULY 1, 1938

As Compiled in the United States Code

Issued by the

FARM CREDIT ADMINISTRATION

JULY 1938



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EDITORIAL NOTE

This circular contains all general provisions, by acts of Congress and Executive Order, relating to the establishment and operation of the Farm Credit Administration.

This circular also contains all provisions of the Federal Farm Loan Act, its amendments and supplements, relating to Federal land banks, joint stock land banks, national farm loan associations, and Federal intermediate credit banks; the provisions of the Emergency Farm Mortgage Act of 1933, as amended, relative to loans to farmers by the Land Bank Commissioner; the provisions of the Federal Farm Mortgage Corporation Act, as amended; the provisions of the Farm Credit Act of 1933, as amended, relating to production credit corporations, production credit associations, and banks for cooperatives; provisions relating to regional agricultural credit corporations; the provisions of the Federal Credit Union Act, as amended; and the provisions of the Act of January 29, 1937, relating to loans to farmers for crop production and harvesting.

The provisions of the acts of Congress and of the Executive Orders contained herein are set forth in accordance with the codification thereof in The Code of The Laws of the United States of America and supplements thereto (Title 12, Chapters 7, 10, and 14; Title 7, Chapter 18).

In the right margin of this circular, opposite each section which was incorporated in the Federal Farm Loan Act, either originally or by amendment thereto, is printed the number of the Federal Farm Loan Act section in which the provisions are contained. At the end of each section, is a parenthetical reference to the act of Congress from which the provisions were derived, to any subsequent amendatory acts, and, wherever a section has been affected by either or both of the Executive Orders set forth at the beginning of this circular, to such Order or Orders.

The sections, chapters, and subchapters into which this circular is divided are numbered to correspond with the same material as it appears in the Code.

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CHAPTER 7.—FARM CREDIT ADMINISTRATION

INTRODUCTORY

EXECUTIVE ORDER No. 6084

REORGANIZING AGRICULTURAL CREDIT AGENCIES OF THE UNITED STATES

Whereas sections 401 and 403 of Title IV of Part II of the Legislative Appropriation Act, fiscal year 1933, as amended by an act of Congress approved March 3, 1933, provide:

SEC. 401. The Congress hereby declares that a serious emergency exists by reason of the general economic depression; that it is imperative to reduce drastically governmental expenditures; and that such reduction may be accomplished in great measure by proceeding immediately under the provisions of this title.

Accordingly, the President shall investigate the present organization of all executive and administrative agencies of the Government and shall determine what changes therein are necessary to accomplish the following purposes:

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

(c) To group, coordinate, and consolidate executive and administrative agencies of the Government, as nearly as may be, according to major purposes;

(d) To reduce the number of such agencies by consolidating those having similar functions under a single head, and by abolishing such agencies and/or such functions thereof as may not be necessary for the efficient conduct of the Government;

(e) To eliminate overlapping and duplication of effort; and

(f) To segregate regulatory agencies and functions from those of an administrative and executive character.

SEC. 403. Whenever the President, after investigation, shall find and declare that any regrouping, consolidation, transfer, or abolition of any executive agency or agencies and/or the functions thereof is necessary to accomplish any of the purposes set forth in section 401 of this title, he may by Executive order—

(a) Transfer the whole or any part of any executive agency and/or the functions thereof to the jurisdiction and control of any other executive agency;

(b) Consolidate the functions vested in any executive agency; or

(c) Abolish the whole or any part of any executive agency and/or the functions thereof; and

(d) Designate and fix the name and functions of any consolidated activity or executive agency and the title, powers, and duties of its

EXECUTIVE ORDER NO. 6084

executive head; except that the President shall not have authority under this title to abolish or transfer an executive department and/or all the functions thereof.

Now, therefore, pursuant to the authority so vested in me, and after investigation, it is found and declared that the following changes in executive agencies and the functions thereof are necessary to accomplish the purposes set forth in section 401 above recited, and it is hereby ordered that:

(1) The functions of the Secretary of Agriculture as a member of the Federal Farm Board, and the offices of the appointed members of the Federal Farm Board, except the office of the member designated as chairman thereof, are abolished.

(2) The name of the Federal Farm Board is changed to the Farm Credit Administration.

(3) The name of the office of Chairman of the Federal Farm Board is changed to Governor of the Farm Credit Administration, and he is vested with all the powers and duties of the Federal Farm Board.

(4) The functions of the Secretary of the Treasury as a member of the Federal Farm Loan Board, and the offices of the appointed members of the Federal Farm Loan Board, except the office of the member designated as farm loan commissioner, are abolished, and all the powers and functions of the Federal Farm Loan Board are transferred to and vested in the farm loan commissioner, subject to the jurisdiction and control of the Farm Credit Administration as herein provided.

(5) There are transferred to the jurisdiction and control of the Farm Credit Administration:

(a) The Federal Farm Loan Bureau and the functions thereof; together with the functions of the Federal Farm Loan Board, including the functions of the Farm Loan Commissioner;

(b) The functions of the Treasury Department and the Department of Agriculture, and the Secretaries thereof, under Executive authorizations to give aid to farmers, dated July 26, 1918, and any extensions or amendments thereof;

(c) The functions of the Secretary of Agriculture under all provisions of law relating to the making of advances or loans to farmers, fruit growers, producers and owners of livestock and crops, and to individuals for the purpose of assisting in forming or increasing the capital stock of agricultural-credit corporations, livestock-loan companies, or like organizations, except Public Resolution No. 74, Seventieth Congress, approved December 21, 1928, providing for the Puerto Rican Hurricane Relief Commission;

(d) The Crop Production Loan Office and the Seed Loan Office of the Department of Agriculture, and the functions thereof;

(e) The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional agricultural credit corporations formed under section 201 (e) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof.

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(6) The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions.

(7) The records, property (including office equipment), and personnel used and employed in the execution of the functions hereinbefore transferred are transferred to the jurisdiction and control of the Farm Credit Administration.

(8) The sum of \$2,000,000 of the unexpended balances of appropriations made to the Federal Farm Board by Public Resolutions No. 43 and No. 51 of the Seventy-second Congress shall be impounded and returned to the Treasury, which sum shall be in addition to the other savings to be effected by the Farm Credit Administration as a result of this order.

(9) The unexpended balances of appropriations to the Secretary of Agriculture, the Federal Farm Loan Bureau, and the Federal Farm Board for salaries, expenses, and all other administrative expenditures in the execution of the functions herein vested in the Farm Credit Administration shall be transferred to and vested in the Farm Credit Administration as a single fund for its use for salaries, expenses, and all other administrative expenditures for the execution of any or all of such functions without restriction as to the particular functions for the execution of which the same were originally appropriated. All other appropriations, allotments, and other funds available for use in connection with the functions and executive agencies hereby transferred and consolidated are hereby transferred to and vested in the Farm Credit Administration, and shall be available for use by it, for the same purposes as if the Farm Credit Administration were named in the law or authority providing such appropriations, allotments, or other funds.

(10) All power, authority, and duties conferred by law upon any officer, executive agency, or head thereof, from which or from whom transfer is hereinbefore made, in relation to the executive agency or function transferred, are transferred to and vested in the Governor of the Farm Credit Administration.

(11) The Governor of the Farm Credit Administration is directed to dismiss, furlough, transfer, or make other appropriate disposition of such of the officers and employees under his jurisdiction and control as are not required for the proper execution of the functions of the Farm Credit Administration.

(12) The Governor of the Farm Credit Administration is authorized to execute any and all functions and perform any and all duties vested in him through such persons as he shall by order designate or employ.

(13) The Governor of the Farm Credit Administration, by order or rules and regulations, may consolidate, regroup, and transfer

offices, bureaus, activities, and functions in the Farm Credit Administration, so far as may be required to carry out the purposes to which this order is directed, and may fix or change the names of such offices, bureaus, and activities and the duties, powers, and titles of their executive heads.

This order shall take effect upon the sixty-first calendar day after its transmission to Congress unless otherwise determined in accordance with the provisions of section 407 of the act cited above, as amended.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
March 27, 1933.

EXECUTIVE ORDER No. 5200

I, Herbert Hoover, President of the United States of America, under the authority conferred upon me by paragraph (e) of Section 13 of Agricultural Marketing Act approved June 15, 1929, entitled "An Act To establish a Federal Farm Board to promote the effective merchandizing of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries", and by virtue of all other powers thereto me enabling, do hereby transfer from the Department of Agriculture to the jurisdiction and control of Federal Farm Board the whole of the Division of Cooperative Marketing in the Bureau of Agricultural Economics of the Department of Agriculture, all functions pertaining to the work and services of such division, its records, property, including office equipment, personnel, and unexpended balances of appropriation, pertaining to such work or services. The Division of Cooperative Marketing above referred to is created and authorized by "An Act To create a division of cooperative marketing in the Department of Agriculture; to provide for the acquisition and dissemination of information pertaining to cooperation; to promote the knowledge of cooperative principles and practices; to provide for calling advisers to counsel with the Secretary of Agriculture on cooperative activities; to authorize cooperative associations to acquire, interpret, and disseminate crop and market information, and for other purposes", approved July 2, 1926. The transfer above mentioned shall be effective from and including October 1st, 1929.

HERBERT HOOVER.

THE WHITE HOUSE,
October 1, 1929.

12 U. S. C. **FARM CREDIT ADMINISTRATION; GENERAL
ADMINISTRATIVE PROVISIONS**

§ 636 **Farm Credit Administration; provisions relating to organization.**—The Governor of the Farm Credit Administration is authorized, in carrying out the powers and duties now or hereafter vested

in him or the Farm Credit Administration by law or under any Executive order made under title IV of part II of the Legislative Appropriation Act of 1933, as amended, to establish, and to fix the powers and duties of, such divisions, agencies, corporations, and instrumentalities as he may deem necessary to the efficient functioning of the Farm Credit Administration and the successful execution of the powers and duties so vested in the Governor and the Farm Credit Administration. This section shall not be construed to restrict the authority of the President under title IV of such Act, as amended: *Provided*, That no salary or compensation shall be paid to any officer, agent, or other person employed under this section in excess of \$10,000 per annum. (May 12, 1933, c. 25, § 40, 48 Stat. 51.)

§ 637 **Land Bank Commissioner; functions under Executive Orders.**—If and when any executive order heretofore transmitted to the Congress pursuant to title IV of part II of the Legislative Appropriation Act of 1933, as amended, shall become effective, all functions, powers, authority, and duties conferred upon or vested in the Land Bank Commissioner by the Emergency Farm Mortgage Act of 1933 [sections 723, 771 (*Seventh*) and (*Twelfth*), 823 (note), 963a, 991 (second paragraph), and 1016–1019 of this title] shall be held and exercised by him subject to all the terms and conditions in any such Executive order the same as if such functions, powers, authority, and duties were specifically named in such Executive order or orders. (May 12, 1933, c. 25, § 39, 48 Stat. 50; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 638 **Commissioners in Farm Credit Administration; designation; appointment; salaries and expenses—(a) Land Bank Commissioner.**—After June 16, 1933, the office of Farm Loan Commissioner shall be known as the office of the Land Bank Commissioner and the Farm Loan Commissioner shall be known as the Land Bank Commissioner. The provisions of section 653 of this title, prescribing a term of office of eight years, shall not apply to incumbents appointed after June 16, 1933, to the office of Land Bank Commissioner.

(b) **Production Credit Commissioner; Cooperative Bank Commissioner; Intermediate Credit**

Commissioner.—There shall be in the Farm Credit Administration three commissioners who shall be known, respectively, as the Production Credit Commissioner, the Cooperative Bank Commissioner, and the Intermediate Credit Commissioner. Such commissioners shall be appointed by the President, by and with the advice and consent of the Senate. They shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. Such commissioners shall perform such duties as may be assigned to them by law or by the governor of the Farm Credit Administration. (June 16, 1933, c. 98, § 80, 48 Stat. 273.)

See secs. 652–655 for provisions relative to eligibility, appointment, traveling expenses, etc., of Land Bank Commissioner.

§ 639 **Governor of Farm Credit Administration; supplementary grant of powers.**—The authority and powers conferred upon the governor under the Farm Credit Act of 1933 [subchapters IV, V and VI of this chapter] shall not be construed to be in substitution for authority and powers conferred upon him under existing law but shall be construed to be supplementary to such authority and powers. (June 16, 1933, c. 98, § 82, 48 Stat. 273.)

§ 640 **Seal of Farm Credit Administration.**—The Farm Credit Administration shall have a seal, as adopted by the governor, which shall be judicially noticed. (June 16, 1933, c. 98, § 85, 48 Stat. 273.)

**DISTRICT ORGANIZATIONS UNDER SUPERVISION OF
FARM CREDIT ADMINISTRATION; FARM CREDIT
DISTRICTS AND FARM CREDIT BOARDS**

§ 640a **Farm credit districts created.**—There shall be twelve districts in the continental United States, excluding Alaska, which shall be known as farm credit districts, and may be designated by number. The boundaries of the twelve Federal land bank districts existing as of August 19, 1937, shall be the boundaries of the respective farm credit districts. Such boundaries may be readjusted from time to time in the discretion of the Farm Credit Administration, provided that said districts shall be apportioned with due regard to the farm credit needs of the country and no such district shall contain a fractional part of any State. The designations

“Federal land bank district” and “land bank district” wherever used in the Federal Farm Loan Act, or in any Act amendatory thereof or supplementary thereto, are changed to “farm credit district” and shall after August 19, 1937, be deemed to refer to the farm credit districts provided for in this section. (Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

§ 640b **Farm credit boards; members.**—There shall be in each farm credit district a farm credit board, which shall be selected as specified in sections 640b–640g of this title and shall be composed of seven members. Each farm credit board shall include in its title the name of the city in which the Federal land bank, Federal intermediate credit bank, production credit corporation, and regional bank for cooperatives of the district are located. Three of the members of said board shall be known as elected directors of whom one shall be chosen by national farm loan associations and borrowers through agencies, one shall be chosen by production credit associations of the district, and one shall be chosen by cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives in the district. Three of the seven members shall be known as district directors, of whom two shall be appointed by the Governor of the Farm Credit Administration and one, who shall be known as the third district director, shall be chosen as provided in section 640d of this title. The seventh member of such board shall be known as director at large and shall be appointed by the Governor of the Farm Credit Administration. (Aug. 19, 1937, c. 704, § 5 (b), 50 Stat. 704.)

§ 640c **Same; initial board to be composed of Federal land bank directors; successors.**—The directors of the Federal land bank of each district who are in office on August 19, 1937, shall constitute the farm credit board of the district and shall serve as members thereof for the remaining portions of the terms for which they were respectively elected or appointed as directors of the bank. Except as otherwise provided by sections 640a–640k of this title, the successor to each original member of the farm credit board shall be selected in the manner in which such member was selected as a director of the Federal land bank. (Aug. 19, 1937, c. 704, § 5 (c), 50 Stat. 704.)

§ 640d **Same; selection of third district director.**—Each third district director shall be selected as follows: Each national farm loan association and borrower through agencies in the district shall nominate, in the manner provided in section 640e of this title for the nomination of candidates for elected directors, one candidate for such director, and from the three persons having the greatest number of votes as nominees the Governor of the Farm Credit Administration shall appoint such director. No third district director who is removed from office pursuant to section 831(h) of this title may be nominated to succeed himself. (Aug. 19, 1937, c. 704, § 5 (d), 50 Stat. 704.)

§ 640e **Same; nomination of elected directors.**—At least two months before an election of an elected director the Farm Credit Administration shall cause notice in writing to be sent to those entitled to nominate candidates for such elected director. In the case of an election of a director by national farm loan associations and borrowers through agencies, such notice shall be sent to all national farm loan associations and borrowers through agencies in the district; in the case of an election by production credit associations, such notice shall be sent to all production credit associations in the district; and in the case of an election by cooperatives which are stockholders or subscribers to the guaranty fund of the bank for cooperatives of the district, such notice shall be sent to all cooperatives which are stockholders or subscribers to the guaranty fund at the time of sending notice. After receipt of such notice those entitled to nominate the director shall forward nominations of residents of the district to the Farm Credit Administration. The Farm Credit Administration shall, from the nominations received within thirty days after the sending of such notice, prepare a list of candidates for such elected director consisting of the ten nominees receiving the highest number of votes. (Aug. 19, 1937, c. 704, § 5 (e), 50 Stat. 705.)

§ 640f **Same; election of elected directors.**—At least one month before the election of an elected director the Farm Credit Administration shall mail to each person or organization entitled to elect the elected director the list of the ten candidates nominated in accordance with the preceding paragraph of this section. In the case of an election of a director by

national farm loan associations and borrowers through agencies, the directors of each farm loan association shall cast the vote of such association for one of the candidates on the list. In voting under this section each such association shall be entitled to cast a number of votes equal to the number of stockholders of such association and each borrower through agencies shall be entitled to cast one vote. In voting under this section each production credit association shall be entitled to cast a number of votes equal to the number of the class B stockholders of such association. In voting under this section each cooperative which is a holder of stock in, or a subscriber to the guaranty fund of, the bank for cooperatives shall be entitled to cast one vote. The votes shall be forwarded to the Farm Credit Administration and no vote shall be counted unless received by it within thirty days after the sending of such list of candidates. In case of a tie the Farm Credit Administration shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective voters, as counted, shall be tabulated and preserved and shall be subject to examination by any candidate for at least one year after the result of the election is announced. (Aug. 19, 1937, c. 704, § 5 (f), 50 Stat. 705.)

§ 640g **Same; term of office; vacancies.**—The terms of office of all directors shall be three years. Any vacancies that may occur in the farm credit board shall be filled for the unexpired term in the manner provided in sections 640b–640f of this title for the original selection of such directors. (Aug. 19, 1937, c. 704, § 5 (g), 50 Stat. 705.)

§ 640h **Same; general qualifications of members.**—Members of each farm credit board shall have been, for at least two years, residents of the district for which they are appointed or elected. From and after August 19, 1937, no person shall be eligible for election or appointment as a member of any district farm credit board, and no person elected or appointed after August 19, 1937, as a member of any district farm credit board shall be eligible to continue to serve as such, if in either case said person is an officer or employee of any Federal land bank, Federal intermediate credit bank, production

credit corporation, or bank for cooperatives. No district director, excepting any third district director selected as specified in section 640d of this title shall, during his continuance in office, be a director, officer, or employee of any institution, association, or partnership engaged in the business of lending money or of making or selling land mortgage loans, except an institution or association under the supervision of the Farm Credit Administration. (Aug. 19, 1937, c. 704, § 5 (h), 50 Stat. 705.)

§ 640i **Same; felons and defrauders ineligible.**—No person shall be eligible for appointment or election as an administrative or executive official of a Federal land bank, Federal intermediate credit bank, or of any corporation or bank organized pursuant to the Farm Credit Act of 1933 [June 16, 1933, c. 98, 48 Statutes 257], or as a member of any farm credit board, or shall continue to hold office as such member, if such person has been finally adjudged guilty of a felony, or finally adjudged liable in damages in any civil proceeding for fraud, in any State or Federal court. (Aug. 19, 1937, c. 704, § 5 (i), 50 Stat. 706.)

§ 640j **Same; compensation of members.**—Subject to the approval of the Farm Credit Administration members of each farm credit board shall receive such compensation as may be authorized by the board, including a reasonable allowance for necessary expenses in attending meetings of said board and directors' meetings. Such compensation shall be paid by the Federal land bank of the district, and such bank shall be reimbursed therefor by the Federal intermediate credit bank, production credit corporation and bank for cooperatives of the district in such proportion and in such manner as may be fixed by the farm credit board subject to the approval of the Farm Credit Administration. Except with the approval of the Farm Credit Administration, no member of any farm credit board shall receive compensation or allowances for any services rendered such institutions, in his capacity as director or otherwise, for more than thirty days in any one calendar year, exclusive of the period for which compensation is paid for attendance at meetings of said board and at directors' meetings. (Aug. 19, 1937, c. 704, § 5 (j), 50 Stat. 706.)

§ 640k **Laws unaffected.**—Nothing contained in sections 640a–640j of this title shall be construed to abrogate or repeal section 672 of this title, as amended, or to affect the applicability of any other Act of Congress under which agricultural credit laws of the United States may be made applicable to territories or insular possessions of the United States. (Aug. 19, 1937, c. 704, § 5 (k), 50 Stat. 706.)

§ 640r **Powers of farm credit board.**—Each farm credit board provided for in sections 640b and 640c of this title shall have power, subject to the approval of the Farm Credit Administration—

(a) *Employment of joint officers and employees for certain organizations.*—To employ joint officers and employees for the Federal land bank, Federal intermediate credit bank, production credit corporation, and regional bank for cooperatives in its district. The salaries or other compensation of all such joint officers and employees shall be fixed by the district farm credit board and shall be paid by the Federal land bank of the district. Such bank shall be reimbursed therefor by the other three institutions in the district, in such amounts and upon such conditions as the board shall determine. Officers and employees appointed by the district farm credit board shall be officers and employees of the district institutions served by them. (Aug. 19, 1937, c. 704, § 6, 50 Stat. 706.)

(b) *Authorization of acquisition and disposal of property.*—To authorize the acquisition and disposal of such property, real or personal, as may be necessary or convenient for the transaction of the business of the Federal land bank, the Federal intermediate credit bank, the bank for cooperatives, and the production credit corporation, located in its district, upon such terms and conditions as it shall fix, and to prorate among such institutions the cost of purchases, rentals, construction, repairs, alterations, maintenance, and operation, in such amounts and in such manner as it shall determine. Any lease, or any contract for the purchase or sale of property, or any deed or conveyance of property, or any contract for the construction, repair, or alteration of buildings, authorized by a district farm credit board under this subsection shall be executed by the officers of the institution or institutions concerned pursuant to the direction of such board. No provision of law relative to the acquisition or disposal of property, real or personal, by or for the United States,

or relative to the making of contracts or leases by or for the United States, including the provisions set out in Title 40, Public Buildings, Property, and Works, and Title 41, Public Contracts, and including provisions applicable to corporations wholly owned by the United States, shall be deemed or held applicable to any lease, purchase, sale, deed, conveyance, or contract authorized or made by a district farm credit board, Federal land bank, Federal intermediate credit bank, production credit corporation, or bank for cooperatives under this subsection. (Aug. 19, 1937, c. 704, § 6, 50 Stat. 706.)

(c) *Vacations and sick leaves.*—No corporation under the supervision of the Farm Credit Administration, of which corporation any member of the board of directors is elected or appointed by private interests, shall be subject to the provisions of sections 29a, 30b–30m, and 31a of Title 5. (Aug. 19, 1937, c. 704, § 6, 50 Stat. 706.)

SUBCHAPTER I.—FEDERAL LAND BANKS, JOINT STOCK LAND BANKS, AND NA- TIONAL FARM LOAN ASSOCIATIONS

§ 641 **“Federal Farm Loan Act”; administration.**—§ 1
The act of July 17, 1916 (Chapter 245, 39 Statutes 360), as amended by act of March 4, 1923 (Chapter 252, 42 Statutes 1454), to include Federal intermediate credit banks may be cited as the “Federal Farm Loan Act.” Its administration shall be under the direction and control of the Farm Credit Administration, created pursuant to Executive Order. (July 17, 1916, c. 245, § 1, 39 Stat. 360; Mar. 4, 1923, c. 252, §§ 1, 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

Act of July 17, 1916, cited to the text, was entitled “An act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes.”

§ 642 **“First mortgage” and “farm loan bonds” de- § 2**
fin.—Wherever the term “first mortgage” is used in this subchapter it shall be held to include such classes of first liens on farm lands as shall be approved by the Farm Credit Administration, and the credit instruments secured thereby. The term “farm loan bonds” shall be held to include all bonds secured by collateral deposited with a farm

loan registrar under the terms of this subchapter; they shall be distinguished by the addition of the words "Federal", or "joint stock", as the case may be. (July 17, 1916, c. 245, § 2, 39 Stat. 360; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

ADMINISTRATIVE PROVISIONS RELATIVE TO THIS SUBCHAPTER

§ 651 **Federal Farm Loan Bureau.**—There shall be at § 3
the seat of government a bureau charged with the execution of this subchapter and of subchapter III of this chapter and of all Acts amendatory thereof, to be known as the "Federal Farm Loan Bureau", under the general supervision of the Farm Credit Administration. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 652 **Federal Farm Loan Board; number of mem- § 3**
bers; appointment; salaries; expenses.—The Federal Farm Loan Board shall consist of seven members, including the Secretary of the Treasury, who shall be a member and chairman ex officio, and six members to be appointed by the President of the United States, by and with the advice and consent of the Senate. Of the six members to be appointed by the President, not more than three shall be appointed from one political party, and all six of said members shall be citizens of the United States and shall devote their entire time to the business of the Federal Farm Loan Board; they shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. One of the additional members of the Federal Farm Loan Board, hereby provided for, shall be appointed for a term expiring August 6, 1929, and one for a term expiring August 6, 1931, and thereafter the terms of all members of the Federal Farm Loan Board shall be as in section 653 of this title otherwise provided for. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Mar. 4, 1923, c. 252, § 301, 42 Stat. 1473.)

This section was rendered obsolete by Executive Order 6084, except insofar as it affects the qualifications, appointment, salary, etc., of the Land Bank Commissioner, previously known as Farm Loan Commissioner. See § 638 of this title.

§ 653 **Terms of office; oath; Land Bank Commissioner.**—One of the members of the Federal Farm Loan Board to be appointed by the President shall be designated by him to serve for two years, one for four years, one for six years, and one for eight years, and thereafter each member so appointed shall serve for a term of eight years, unless sooner removed for cause by the President. One of the members shall be designated by the President as the Land Bank Commissioner, who shall be the active executive officer of said board. Each member of the Federal Farm Loan Board shall within fifteen days after notice of his appointment take and subscribe to the oath of office. (July 17, 1916, c. 245, § 3, 39 Stat. 360; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 3

This section was rendered obsolete, by Executive Order 6084, except insofar as it affects the Land Bank Commissioner, previously known as Farm Loan Commissioner; it no longer applies to the term of office of the Commissioner. See § 638 of this title.

§ 654 **Eligibility of members; restriction on right to engage in other business.**—No member of the Federal Farm Loan Board shall, during his continuance in office, be an officer or director of any other institution, association, or partnership engaged in banking, or in the business of making land mortgage loans or selling land mortgages. Before entering upon his duties as a member of the Federal Farm Loan Board each member shall certify under oath to the President that he is eligible under this section. (July 17, 1916, c. 245, § 3, 39 Stat. 360.) § 3

This section was rendered obsolete by Executive Order 6084, except insofar as it affects the Land Bank Commissioner, previously known as Farm Loan Commissioner. See § 638 of this title.

§ 655 **Filling vacancies on board.**—The President shall have the power, by and with the advice and consent of the Senate, to fill any vacancy occurring in the membership of the Federal Farm Loan Board; if such vacancy shall be filled during the recess of the Senate a commission shall be granted which shall expire at the end of the next session. (July 17, 1916, c. 245, § 3, 39 Stat. 360.) § 3

This section was rendered obsolete by Executive Order 6084, except insofar as it affects the Land Bank Commissioner, previously known as Farm Loan Commissioner. See § 638 of this title.

§ 656 **Registrars, appraisers, and examiners; appointment; restriction on right to engage in other business.**—The Farm Credit Administra- § 3

tion shall appoint a farm loan registrar in each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this chapter, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint one or more land bank appraisers for each farm credit district and as many farm credit examiners as it shall deem necessary. Farm loan registrars, deputy registrars, land bank appraisers, and farm credit examiners appointed under this section shall be public officials and shall, during their continuance in office, have no connection with or interest in any other institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages: *Provided*, That this limitation shall not apply to persons employed by the administration temporarily to do special work. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Apr. 20, 1920, c. 154, § 1, 41 Stat. 570; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, §§ 5 (a), 20, 50 Stat. 704, 710.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 656a **Examiners to be designated "farm credit examiners".**—Examiners appointed pursuant to the provisions of section 656 of this title shall after August 19, 1937, be designated and known as farm credit examiners. (Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.)

§ 657 **Salaries and expenses; provision for payment.**—The amount of the salaries and expenses of the employees engaged in the work of the division of examinations of the Federal Farm Loan Bureau as estimated by the Farm Credit Administration shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks, as follows:

The Farm Credit Administration shall, prior to the first days of January and July of each year, estimate the expenses and salaries of the employees engaged as aforesaid, and apportion the same among the Federal land banks, joint stock land banks, and the Federal intermediate credit banks on such equitable basis as the Farm Credit Administration

§ 3

shall determine, giving due consideration to time and expense necessarily incident to the supervision of the operation of each type of bank, and making assessment on each of such banks pursuant to such apportionment, payable on the first days of January and July next ensuing. The funds collected pursuant to such assessments shall be deposited with the Treasurer of the United States under the miscellaneous receipts title "Assessments on Federal and joint stock land banks and Federal intermediate credit banks, salaries and expenses Farm Credit Administration," such expenses and salaries, together with all other expenses and salaries of the said administration, to be disbursed on appropriations duly made by the Congress.

If any deficiency shall occur in such fund during the half-year period for which it was estimated, the Farm Credit Administration shall have authority to make immediate assessment covering such deficiency against the Federal land banks, joint stock land banks, and Federal intermediate credit banks upon the same basis as the original assessment. If at the end of the six months' period there shall remain a surplus in such fund, it shall be deducted from the estimated expenses of the next six months' period when assessment is made for such period. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, § 302, 42 Stat. 1473; Mar. 4, 1925, c. 524, § 3, 43 Stat. 1262; June 26, 1930, c. 613, 46 Stat. 815; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 658

Appraisers and inspectors; compensation; manner of payment.—Federal land bank appraisers, and appraisers or inspectors of Federal intermediate credit banks, shall receive such compensation as the Farm Credit Administration shall fix and shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks they serve, in such proportion and in such manner as the Farm Credit Administration shall order. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, § 302, 42 Stat. 1473; Mar. 4, 1925, c. 524, § 3, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084.)

§ 3

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 659 **Attorneys, experts, and other employees; employment; salaries and fees.**—The Farm Credit Administration shall be authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as it may deem necessary to conduct the business of said administration [incident to the administration of this subchapter and subchapter III of this chapter]. All salaries and fees authorized in sections 651–664 of this title and not otherwise provided for shall be fixed in advance by said administration and shall be paid in the same manner as the salary of the Land Bank Commissioner. All such attorneys, experts, assistants, clerks, laborers, and other employees, and all registrars, examiners, and appraisers shall be appointed without regard to the provisions of sections 632, 635, 637, 638, and 640–642, of Title 5, Executive Departments and Government Officers and Employees (Act of Jan. 16, 1883, Twenty-second Statutes, page 403, and amendments thereto), or any rule or regulation made in pursuance thereof and may be classified without regard to sections 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, and 674 of Title 5, Executive Departments and Government Officers and Employees (Classification Act of 1923 and amendments thereto): *Provided*, That nothing herein shall prevent the President from placing said employees in the classified service. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1925, c. 524, § 4, 43 Stat. 1263; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 660 **Statements of salaries paid by land banks.**—Every Federal land bank shall semiannually submit to the Farm Credit Administration a schedule showing the salaries or rates of compensation paid to its officers and employees. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 661 **Annual report.**—The Farm Credit Administration shall annually make a full report of its operations [under this subchapter and subchapter III of this chapter] to the Speaker of the House of Repre-

sentatives, who shall cause the same to be printed for the information of the Congress. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 662	Examinations and reports by land banks; appraisals of farm land; amortization tables.—The Farm Credit Administration shall from time to time require examinations and reports of condition of all land banks established under the provisions of this chapter and shall publish consolidated statements of the results thereof. It shall cause to be made appraisals of farm lands as provided by this chapter, and shall prepare and publish amortization tables which shall be used by national farm loan associations and land banks organized under this chapter. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)	§ 3
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"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 663	Statements of condition of loan associations and land banks.—The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out quarterly by each such association or bank and transmitted to said administration. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)	§ 3
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"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 664	Bulletins and circulars.—It shall be the duty of the Farm Credit Administration to prepare from time to time bulletins setting forth the principal features of this subchapter and of subchapter III of this chapter and through the Department of Agriculture or otherwise to distribute the same, particularly to the press, to agricultural journals, and to farmers' organizations; to prepare and distribute in the same manner circulars setting forth the principles and advantages of amortized farm loans and	§ 3
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the protection afforded debtors under said subchapters, instructing farmers how to organize and conduct farm loan associations, and advising investors of the merits and advantages of farm loan bonds; and to disseminate in its discretion information for the further instruction of farmers regarding the methods and principles of cooperative credit and organization. Said administration is instructed to lay before the Congress at each session its recommendations for further appropriations to carry out the objects of this section. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 665 **Rules and regulations.**—The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary or requisite for the efficient execution of the provisions of this subchapter and of subchapter III of this chapter, and/or any Act or Acts amendatory thereof or supplementary thereto. (Jan. 23, 1932, c. 9, § 6, 47 Stat. 14; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

ORGANIZATION OF FEDERAL LAND BANKS

§ 671 was repealed by Act Aug. 19, 1937, c. 704, § 7 (a), 50 Stat. 707.

§ 672 **Establishment; titles; branches; Puerto Rico and Alaska; Hawaii; loans by branches.**—The Farm Credit Administration shall establish in each farm credit district a Federal land bank, with its principal office located in such city within the district as said administration shall designate. Each Federal land bank shall include in its title the name of the city in which it is located. Subject to the approval of the Farm Credit Administration, any Federal land bank may establish branches within the farm credit district. Subject to the approval of the Farm Credit Administration and under such conditions as it may prescribe, the provisions of this subchapter and of subchapter III of this chapter are extended to the island of Puerto Rico* and the

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*For special provisions relative to foreclosures in Puerto Rico where the United States must be joined as a party defendant, and to subordinations of liens of the Puerto Rico Hurricane Relief Commission, see Aug. 27, 1935, c. 776, 49 Stat. 926; Aug. 27, 1935, c. 777, 49 Stat. 928.

Territory of Alaska; and the Farm Credit Administration shall designate a Federal land bank which is hereby authorized to establish a branch bank in Puerto Rico and a Federal land bank which is hereby authorized to establish a branch bank in the Territory of Alaska. The provisions of this subchapter and of subchapter III of this chapter and any Act amendatory thereof or supplementary thereto are extended to the Territory of Hawaii. The Farm Credit Administration shall include the territory in a farm credit district, and such Federal land bank as the administration may designate is authorized to establish branch banks in the Territory of Hawaii. Loans made by each such branch bank shall not exceed the sum of \$25,000 to any one borrower and shall be subject to the restrictions and provisions of this chapter, except that each such branch bank may loan direct to borrowers, and, subject to such regulations as the Farm Credit Administration may prescribe, the rate charged borrowers may be $1\frac{1}{2}$ per centum in excess of the rate borne by the last preceding issue of farm loan bonds of the Federal land bank with which such branch bank is connected: *Provided*, That no loan shall be made in Puerto Rico or Alaska by such branch bank for a longer term than twenty years.

Each borrower through such branch bank shall subscribe and pay for stock in the Federal land bank with which it is connected in the sum of \$5 for each \$100 or fraction thereof borrowed; such stock shall be held by such Federal land bank as collateral security for the loan of the borrower; shall participate in all dividends; and upon full payment of the loan shall be canceled at par and proceeds paid to borrower, or the borrower may apply the same to the final payments on his loan. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Feb. 27, 1921, c. 78, 41 Stat. 1148; Mar. 4, 1923, c. 252, § 303, 42 Stat. 1474; Mar. 10, 1924, c. 46, § 2, 43 Stat. 17; Mar. 4, 1929, c. 700, 45 Stat. 1558; May 17, 1932, c. 190, 47 Stat. 158; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter. Act of May 17, 1932, cited to the text, changed the name of Porto Rico to "Puerto Rico."

§ 673

Temporary management.—Each Federal land bank shall be temporarily managed by five directors appointed by the Farm Credit Administration. Said directors shall be citizens of the United States

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and residents of the district. They shall each give a surety bond, the premium on which shall be paid from the funds of the bank. They shall receive such compensation as the Farm Credit Administration shall fix. They shall choose from their number, by majority vote, a president, a vice president, a secretary, and a treasurer. They are further authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as they may deem necessary, and to fix their compensation, subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 674

Organization certificates; contents.—Said temporary directors shall, under their hands, forthwith make an organization certificate, which shall specifically state:

First. The name assumed by such bank.

Second. The district within which its operations are to be carried on, and the particular city in which its principal office is to be located.

Third. The amount of capital stock and the number of shares into which the same is to be divided: *Provided*, That every Federal land bank organized under this subchapter shall by its articles of association permit an increase of its capital stock from time to time for the purpose of providing for the issue of shares to national farm loan associations and stockholders who may secure loans through agents of Federal land banks in accordance with the provisions of this subchapter.

Fourth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this subchapter. The organization certificate shall be acknowledged before a judge or clerk of some court of record or notary public, and shall be, together with the acknowledgment thereof, authenticated by the seal of such court or notary, transmitted to the Land Bank Commissioner, who shall record and carefully preserve the same in his office, where it shall be at all times open to public inspection. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

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Changes in organization certificate.—The Farm Credit Administration is authorized to direct such

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changes in or additions to any such organization certificate, not inconsistent with this subchapter, as it may deem necessary or expedient. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 676

Time of commencement of corporate existence; powers enumerated.—Upon duly making and filing such organization certificate the bank shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power—

First. To adopt and use a corporate seal.

Second. To have succession until it is dissolved by Act of Congress or under the provisions of this chapter.

Third. To make contracts.

Fourth. To sue and be sued, complain, interplead, and defend, in any court of law or equity, as fully as natural persons.

Fifth. To elect or appoint directors, and by its board of directors to elect a president and a vice president, appoint a secretary and a treasurer and other officers and employees, define their duties, require bonds of them, and fix the penalty thereof; by action of its board of directors dismiss such officers and employees, or any of them, at pleasure and appoint others to fill their places.

Sixth. To prescribe, by its board of directors, subject to the supervision and regulation of the Farm Credit Administration, bylaws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected, its officers elected or appointed, its property transferred, its general business conducted and the privileges granted to it by law exercised and enjoyed.

Seventh. To exercise, by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business herein described. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Federal land bank, see § 640i of this title.

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§ 677 **Time of termination of temporary management.**—After the subscriptions to stock in any Federal land bank by national farm loan associations, hereinafter authorized, shall have reached the sum of \$100,000, the officers and directors of said land bank shall be chosen as herein provided and shall, upon becoming duly qualified, take over the management of said land bank from the temporary officers selected under section 673 of this title. (July 17, 1916, c. 245, § 4, 39 Stat. 363.) § 4

§ 677a **Directors; compensation of officers and employees.**—The members of the farm credit board of each farm credit district provided for in section 640a of this title shall be ex officio the directors of the Federal land bank located in that district. Any compensation that may be provided by the board of directors of any Federal land bank for officers or employees shall be subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Aug. 19, 1937, c. 704, § 7 (b), 50 Stat. 707.) § 4

§§ 678–683 were stricken or repealed by Act Aug. 19, 1937, c. 704, § 7 (b), (c), 50 Stat. 707.

CAPITAL STOCK OF FEDERAL LAND BANKS

§ 691 **Minimum amount of original capital; regulation of subscriptions.**—Every Federal land bank shall have, before beginning business, a subscribed capital of not less than \$750,000. The Farm Credit Administration is authorized to prescribe the times and conditions of the payment of subscriptions to [original] capital stock, to reject any subscription in its discretion, and to require subscribers to furnish adequate security for the payment thereof. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084.) § 5

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 692 **Shares; value; who may subscribe to original stock.**—The capital stock of each Federal land bank shall be divided into shares of \$5 each, and may be subscribed for and held by any individual, firm, or corporation, or by the Government of any State or of the United States. (July 17, 1916, c. 245, § 5, 39 Stat. 364.) § 5

The provision for subscriptions by any individual, firm, or corporation applies only to original stock. See § 695 of this title.

§ 693 **Transfer of stock held by national farm loan associations.**—Stock held by national farm loan associations shall not be transferred or hypothecated, and the certificates therefor shall so state. (July 17, 1916, c. 245, § 5, 39 Stat. 364.) § 5

§ 694 **Dividends; voting stock.**—Stock owned by the Government of the United States in Federal land banks shall receive no dividends, but all other stock shall share in dividend distributions without preference. Each national farm loan association and the Government of the United States shall be entitled to one vote for each share of stock held by it in deciding all questions at meetings of shareholders, and no other shareholder shall be permitted to vote. Stock owned by the United States shall be voted by the Land Bank Commissioner, as directed by the Farm Credit Administration. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.) § 5

Stock issued to the United States under the provisions of § 698 is nonvoting. See that section. For voting privileges of borrowers through agencies in election of members of farm credit boards, see §§ 640b–640g.

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 695 **Subscriptions to original stock; subscriptions by United States for unsubscribed balance of original capital stock.**—It shall be the duty of the Farm Credit Administration, as soon as practicable after July 17, 1916, to open books of subscription for the capital stock of a Federal land bank in each farm credit district. If within thirty days after the opening of said books any part of the minimum capitalization of \$750,000 herein prescribed for Federal land banks shall remain unsubscribed, it shall be the duty of the Secretary of the Treasury to subscribe the balance thereon on behalf of the United States, said subscription to be subject to call in whole or in part by the board of directors of said land bank upon thirty days' notice with the approval of the Farm Credit Administration; and the Secretary of the Treasury is hereby authorized and directed to take out shares corresponding to the unsubscribed balance as called, and to pay for the same out of any moneys in the Treasury not otherwise appropriated. Thereafter no stock shall § 5

be issued except as hereinafter provided. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 696 **Retirement of original stock.**—After the sub- § 5
scriptions to capital stock by national farm loan
associations shall amount to \$750,000 in any Fed-
eral land bank, said bank shall apply semiannually
to the payment and retirement of the shares of
stock which were issued to represent the subscrip-
tions to the original capital twenty-five per centum
of all sums thereafter subscribed by national farm
loan associations, by borrowers through agencies,
and by borrowers through branch banks to capital
stock until all such original capital stock is retired
at par. (July 17, 1916, c. 245, § 5, 39 Stat. 364;
Jan. 23, 1932, c. 9, § 1, 47 Stat. 12.)

§ 697 **Proportion held in quick assets.**—At least § 5
twenty-five per centum of that part of the capital
of any Federal land bank for which stock is out-
standing in the name of national farm loan associa-
tions shall be held in quick assets, and may consist
of cash in the vaults of said land bank, or in depos-
its in member banks of the Federal reserve system,
or in readily marketable securities which are ap-
proved under rules and regulations of the Farm
Credit Administration: *Provided*, That not less
than five per centum of such capital shall be in-
vested in United States Government bonds. (July
17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex.
Or. 6084.)

"Farm Credit Administration" mentioned in the text was sub-
stituted for "Federal Farm Loan Board" pursuant to the Execu-
tive Order cited thereto, which is set out in full at the beginning
of this chapter.

§ 698 **Subscriptions by United States; terms; § 5
amount; retirement.**—It shall be the duty of the
Secretary of the Treasury on behalf of the United
States, upon the request of the board of directors
of any Federal land bank made with the approval
of the Farm Credit Administration, to subscribe
from time to time for capital stock of such bank

in an amount or amounts specified in such approval or approvals, such subscriptions to be subject to call in whole or in part by the board of directors of said bank upon thirty days' notice with the approval of the Farm Credit Administration. The Secretary of the Treasury is hereby authorized and directed to take out and pay for shares having an aggregate par value equal to the amounts so called; and to enable the Secretary of the Treasury to pay for stock issued hereunder there is hereby authorized to be appropriated the sum of \$125,000,000, such stock to be nonvoting. Shares of stock issued pursuant to this section shall be paid off at par and retired in the same manner as the original capital stock of said bank after said original stock outstanding, if any, has been paid off and retired: *Provided, however,* That stock issued pursuant to this section may at any time, in the discretion of the directors and with the approval of the Farm Credit Administration, be paid off at par and retired in whole or in part; and that said Administration may at any time require such stock to be paid off at par and retired in whole or in part if in the opinion of the Administration the bank has resources available therefor. The proceeds of all repayments on account of stock issued pursuant to this section shall be held in the Treasury of the United States and shall be available for the purpose of paying for other stock thereafter issued pursuant to this section. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Jan. 23, 1932, c. 9, § 2, 47 Stat. 12; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

LAND BANKS AS GOVERNMENT DEPOSITARIES AND AGENTS

§ 701

Federal and joint stock land banks as Government depositaries and financial agents; surety bonds; investment of funds.—All Federal land banks and joint stock land banks organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as

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depositories of public money and financial agents of the Government, as may be required of them. And the Secretary of the Treasury shall require of the Federal land banks and joint stock land banks thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safe-keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government. No Government funds deposited under the provisions of this section shall be invested in mortgage loans or farm loan bonds. (July 17, 1916, c. 245, § 6, 39 Stat. 365.)

Special deposits for temporary use, see § 991 of this title.

NATIONAL FARM LOAN ASSOCIATIONS GENERALLY

§ 711 **Organization; articles of association; signature; copies for land banks.**—Corporations, to be known as national farm loan associations, may be organized by persons desiring to borrow money on farm mortgage security under the terms of this subchapter. Such persons shall enter into articles of association which shall specify in general terms the object for which the association is formed and the territory within which its operations are to be carried on, and which may contain any other provision, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. Said articles shall be signed by the persons uniting to form the association, and a copy thereof shall be forwarded to the Federal land bank for the district, to be filed and preserved in its office. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

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§ 712 **Directors; officers; loan committee.**—The board of directors of every national farm loan association shall consist of not less than five nor more than seven members, who shall be elected by the shareholders of the association. Elections of such directors shall be held once each year at an annual meeting of the shareholders. Every national farm loan association shall at the first annual meeting of its shareholders subsequent to August 19, 1937, elect two directors for a term of three years, two directors for a term of two years, and the remainder of its board of directors for a term

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of one year. Thereafter directors shall be chosen to serve for terms of three years, and the shareholders of each association shall annually elect as many directors as may be necessary to fill the places of those directors whose terms expire during the year. Any vacancy that may occur in the board of directors through death, resignation or other cause shall be filled at the next annual meeting of shareholders by the election of a director to serve out the unexpired portion of the term, or a special meeting of shareholders may be called for this purpose. Until such election the remaining directors shall have power to fill the vacancy for the time being by appointing a temporary director to serve until the next meeting of shareholders. All directors shall hold office until their successors are elected and have qualified. It shall be the duty of said board of directors to choose in such manner as they may prefer a secretary-treasurer, who shall receive such compensation as said board of directors shall determine. The board of directors shall elect a president, a vice president, and a loan committee of three members. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Aug. 19, 1937, c. 704, § 21, 50 Stat. 710.)

§ 713

Compensation and qualifications of directors.—The directors and all officers except the secretary-treasurer shall serve without compensation, unless the payment of salaries to them shall be approved by the Farm Credit Administration. All officers and directors except the secretary-treasurer shall, during their term of office, be bona fide residents of the territory within which the association is authorized to do business, and shall be shareholders of the association. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

§ 7

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 714

Secretary-treasurer; powers and duties; bond; reports; misconduct in office.—It shall be the duty of the secretary-treasurer of every national farm loan association to act as custodian of its funds and to deposit the same in such bank as the board of directors may designate, to pay over to borrowers all sums received for their account from the Federal land bank upon first mortgage as in this chapter prescribed, and to meet all other obligations of

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the association, subject to the orders of the board of directors and in accordance with the bylaws of the association. It shall be the duty of the secretary-treasurer, acting under the direction of the national farm loan association, to collect, receipt for, and transmit to the Federal land bank payments of interest, amortization installments, or principal arising out of loans made through the association. He shall be the custodian of the securities, records, papers, certificates of stock, and all documents relating to or bearing upon the conduct of the affairs of the association. He shall furnish a suitable surety bond to be prescribed and approved by the Farm Credit Administration for the proper performance of the duties imposed upon him under this chapter, which shall cover prompt collection and transmission of funds. He shall make a quarterly report to the Farm Credit Administration upon forms to be provided for that purpose. Upon request from said administration said secretary-treasurer shall furnish information regarding the condition of the national farm loan association for which he is acting, and he shall carry out all duly authorized orders of said administration. He shall assure himself from time to time that the loans made through the national farm loan association of which he is an officer are applied to the purposes set forth in the application of the borrower as approved, and shall forthwith report to the land bank of the district any failure of any borrower to comply with the terms of his application or mortgage. He shall also ascertain and report to said bank the amount of any delinquent taxes on land mortgaged to said bank and the name of the delinquent. No such secretary-treasurer shall engage in the making of land mortgage loans eligible at a Federal land bank through or for any other land mortgage company or agency, and the making of any such loan by any secretary-treasurer shall forthwith work a forfeiture of his office. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1923, c. 252, § 305, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 715

Expenses and salaries; payment from general funds; assessments.—The reasonable expenses of the secretary-treasurer, the loan committee, and other officers and agents of national farm loan asso-

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ciations, and the salary of the secretary-treasurer, shall be paid from the general funds of the association, and the board of directors is authorized to set aside such sums as it shall deem requisite for that purpose and for other expenses of said association. When no such funds are available, the board of directors may levy an assessment on members in proportion to the amount of stock held by each, which may be repaid as soon as funds are available, or it may secure an advance from the Federal land bank of the district, to be repaid with interest at the rate of six per centum per annum, from dividends belonging to the said association. Said Federal land bank is hereby authorized to make such advance and to deduct such repayment. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

§ 716 **Number of incorporators; organization; directors; secretary-treasurer.**—Ten or more persons who are the owners, or about to become the owners, of farm lands qualified as security for a mortgage loan under section 771 of this title, may unite to form a national farm loan association. They shall organize subject to the requirements and the conditions specified in sections 711–723 and in sections 671–683 of this title, so far as the same may be applicable: *Provided*, That the board of directors may consist of five members only, and instead of a secretary and a treasurer there shall be a secretary-treasurer, who need not be a shareholder of the association. As used in this section, the term “person” includes an individual, an incorporated association, and a corporation which is eligible for a loan under section 771 of this title. (July 17, 1916, c. 245, § 7, 39 Stat. 365; June 3, 1935, c. 164, § 19 (a), (b), 49 Stat. 319.)

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§ 717 **Report and affidavit accompanying articles of association.**—When the articles of association are forwarded to the Federal land bank of the district as provided in this subdivision, they shall be accompanied by the written report of the loan committee as required in section 751 of this title, and by an affidavit stating that each of the subscribers is the owner, or is about to become the owner, of farm land qualified under section 771 of this title as the basis of a mortgage loan; that the loan desired by each person is not more than \$10,000, nor less than \$100, and that the aggregate of the desired

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loans is not less than \$20,000; that said affidavit is accompanied by a subscription to stock in the Federal land bank equal to 5 per centum of the aggregate sum desired on mortgage loans; and that a temporary organization of said association has been formed by the election of a board of directors, a loan committee, and a secretary-treasurer who subscribes to said affidavit, giving his residence and post-office address. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

See § 771 (Seventh), of this title, for maximum loan which may be made to any one borrower. The maximum limitation contained in the subsection last mentioned has twice been increased by amendments to the original provisions; and in the view of the Farm Credit Administration such amendments operated to increase the limitation stated in § 717.

§ 718 **Investigation of solvency of applicants for incorporation.**—Upon receipt of such articles of association, with the accompanying affidavit and stock subscription, the directors of said Federal land bank shall send an appraiser to investigate the solvency and character of the applicants and the value of their lands, and shall then determine whether in their judgment a charter should be granted to such association. They shall forward such articles of association and the accompanying affidavit to the Farm Credit Administration with their recommendation. If said recommendation is unfavorable, the charter shall be refused. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 719 **Grant or refusal of charter; modification.**—If said recommendation is favorable, the Farm Credit Administration shall thereupon grant a charter to the applicants therefor, designating the territory in which such association may make loans, and shall forward said charter to said applicants through said Federal land bank: *Provided*, That said Farm Credit Administration may for good cause shown in any case refuse to grant a charter. The boundaries of the territory designated in the charter of any national farm loan association may be readjusted from time to time to meet the farm loan needs of the locality, as determined by the Farm Credit Administration. (July 17, 1916, c. 245,

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§ 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 8, 50 Stat. 707.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 720 **Authorization to receive funds to be loaned to members.**—Upon receipt of its charter such national farm loan association shall be authorized and empowered to receive from the Federal land bank of the district sums to be loaned to its members under the terms and conditions of this subchapter. (July 17, 1916, c. 245, § 7, 39 Stat. 365.) § 7

§ 721 **Securing loans for members; subscriptions to stock of land bank as collateral; retirement of stock.**—Whenever any national farm loan association shall desire to secure for any member a loan on first mortgage from the Federal land bank of its district it shall subscribe for capital stock of said land bank to the amount of 5 per centum of such loan, such subscription to be paid in cash upon the granting of the loan by said land bank. Such capital stock shall be held by said land bank as collateral security for the payment of said loan, but said association shall be paid any dividends accruing and payable on said capital stock while it is outstanding. Such stock may, in the discretion of the directors, and with the approval of the Farm Credit Administration, be paid off at par and retired, and it shall be so paid off and retired upon full payment of the mortgage loan. In such case the national farm loan association shall pay off at par and retire the corresponding shares of its stock which were issued when said land bank stock was issued. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.) § 7

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 722 **Federal land banks; limitation on reduction of capital stock.**—The capital stock of a Federal land bank shall not be reduced to an amount less than 5 per centum of the principal of the outstanding farm loan bonds issued by it. (July 17, 1916, c. 245, § 7, 39 Stat. 365.) § 7

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Federal land banks; direct loans—(a) Authorization to make direct loans; provisions relative to loans through associations, applicable to direct loans.—Whenever it shall appear to the Land Bank Commissioner that national farm loan associations have not been formed in any locality in the continental United States, or that the farmers residing in the territory covered by the charter of a national farm loan association are unable to apply to the Federal land bank of the district for loans on account of the inability of the bank to accept applications from such association, the Land Bank Commissioner shall authorize said bank to make direct loans to borrowers secured by first mortgages on farm lands situated within any such locality or territory. Except as herein otherwise specifically provided, all provisions of this chapter applicable with respect to loans made through national farm loan associations shall, insofar as practicable, apply with respect to such direct loans, and the Land Bank Commissioner is authorized to make such rules and regulations as he may deem necessary with respect to such direct loans. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(b) Interest rate.—The rate of interest on such direct loans made at any time by any Federal land bank shall be one-half of 1 per centum per annum in excess of the rate of interest charged to borrowers on mortgage loans made at such time by the bank through national farm loan associations. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44.)

(c) Subscription to stock; retirement of stock.—Each borrower who obtains a direct loan from a Federal land bank shall subscribe and pay for stock in such bank in the sum of \$5 for each \$100 or fraction thereof borrowed. Such stock shall be held by such Federal land bank as collateral security for the loan of the borrower and shall participate in all dividends. Upon full payment of the loan such stock shall, if still outstanding, be canceled at par, or, in the event that such stock shall have become impaired, at the estimated value thereof as approved by the Land Bank Commissioner, and the proceeds thereof shall be paid to the borrower. Any borrower's interest in such stock may be transferred or hypothecated, by him or by operation of law, to the Federal Farm Mortgage

§ 723 Corporation. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; Aug. 19, 1937, c. 704, § 22, 50 Stat. 710.) § 7

(d) Organization of national farm loan association by direct borrowers.—Each such borrower may covenant in his mortgage that, whenever there are ten or more borrowers who have obtained from a Federal land bank direct loans under the provisions of this section aggregating not less than \$20,000, and who reside in a locality which may, in the opinion of the Land Bank Commissioner, be conveniently covered by the charter of and served by a national farm loan association, he will unite with such other borrowers to form a national farm loan association. Such borrowers shall organize the association subject to the requirements and the conditions specified in sections 711–722, so far as the same may be applicable, and in accordance with rules and regulations of the Land Bank Commissioner. As soon as the organization of the association has been approved by the Land Bank Commissioner, the stock in the Federal land bank held by each of the members of such association shall be canceled at par, and in lieu thereof the bank shall issue in the name of the association an equal amount of stock in said bank, which stock shall be held by said bank as collateral security as provided in this section with respect to other loans through national farm loan associations. Thereupon there shall be issued to each such member an amount of capital stock in the association equal to the amount which he previously held in said bank, which stock shall be held by said association as collateral security as provided in section 733 of this title. The board of directors of said association shall adopt a resolution authorizing and directing its secretary-treasurer on behalf of said association to endorse, and thereby become liable for the payment of, the mortgages taken from its charter members by the Federal land bank. When it shall appear to the satisfaction of the Land Bank Commissioner that all the foregoing conditions have been complied with, and upon the granting of the charter by the Land Bank Commissioner, the interest rate paid by each charter member of such association whose loan is in good standing shall, beginning with his next regular installment date, be reduced to the rate of interest paid by borrowers on new loans made through national farm loan associations in the same

farm credit district at the time the said loan was made to such charter member. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 710.)

(e) Charges to applicants and borrowers.—Charges to be paid by applicants for direct loans from a Federal land bank shall not exceed amounts to be fixed by the Land Bank Commissioner and shall in no case exceed the charges which may be made to applicants for loans and borrowers through national farm loan associations under the provisions of sections 761 and 781 of this title. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(f) Option to make loan in bonds.—Direct loans made under subsections (a) to (e) hereof, may, at the option of the Federal land bank, be made in bonds of the Federal Farm Mortgage Corporation. (Jan. 31, 1934, c. 7, § 6, 48 Stat. 346.)

§ 724 **Loans when association's stock is impaired—**
(a) Authorization; interest; admission to membership of borrowers under section 723.—Whenever it shall appear that the capital stock of a national farm loan association is impaired, the Farm Credit Administration may authorize the Federal land bank of the district in which such association is located to make loans to applicants through such association subject to the requirements and conditions specified for direct loans in section 723 of this title, except as otherwise specifically provided in this section, and may authorize such association to elect to membership borrowers having loans made pursuant to said section 723 on lands situated within the chartered territory of the association. Borrowers admitted to membership in the association pursuant hereto shall be entitled to vote and hold office in the association and the rate of interest on their loans shall be one-fourth of 1 per centum per annum less than the rate of interest provided at such time for direct loans. The association shall endorse all such mortgage loans but it shall not become liable therefor except as hereinafter provided. (Aug. 19, 1937, c. 704, § 25 (b), 50 Stat. 711.)

(b) Effect of admission of ten borrowers with loans in good standing aggregating \$20,000.—

§ 724 When there are ten or more borrowers admitted to membership in an association pursuant to this section whose loans are in good standing, as defined by the Farm Credit Administration, and aggregate not less than \$20,000:

First. *Liability of association and members.*—The association shall become liable for the payment of said loans: *Provided, however,* That, any other provisions of law to the contrary notwithstanding, the shareholders who have become members pursuant to this section shall not be held responsible, through the amount paid in and represented by their shares or otherwise, for any contracts, debts, or engagements of the association entered into before the date on which the first member was admitted to the association pursuant to this section and the shareholders of such association who were members prior to said date shall not be held responsible, through the amount paid in and represented by their shares or otherwise, for any mortgages endorsed by such association on or after said date, but this provision shall not be construed to relieve any other liability with respect to stock held by shareholders who were members prior to said date.

Second. *Reduction of interest rate.*—The interest rate paid by each such borrower on each such loan shall, beginning with the next regular installment date, be reduced one-fourth of 1 per centum per annum.

Third. *Exchange of Federal land bank stock for association stock.*—The stock in the Federal land bank held by each of said borrowers shall be exchanged for association stock in the manner provided for in section 723 (d) of this title.

Fourth. *Admission of new members.*—The association may thereafter admit new members, endorse their loans, and become liable for the payment of such loans as provided in paragraph “First” of this subsection.

Fifth. *Election of loan committee.*—At the next annual meeting of stockholders, and thereafter, the loan committee of such association may be elected by the members who become stockholders pursuant to this section and any loan committee so elected shall have the powers specified for loan committees elected as provided in section 747 of this title: *Provided, however,* That in the event such stockholders fail to elect the loan committee, new members shall be admitted to the association as otherwise provided in this chapter.

Sixth. *Records and accounts; dividends.*—In accordance with rules and regulations prescribed

§ 724 by the Farm Credit Administration, the association shall maintain separate capital-stock records; shall keep all capital losses or gains, reserves (including legal reserves), and dividends received from the Federal land bank on stock owned by the association in connection with loans for which it becomes liable as provided in this section separate and apart from capital losses or gains, reserves (including legal reserves), and dividends received from the Federal land bank on stock owned by the association in connection with other loans of the association; and shall segregate any undivided profits of the association resulting from its business operations in like manner when so required by rules and regulations of the Farm Credit Administration. Subject to the other provisions of this chapter with respect to the declaration of dividends, dividends may be declared exclusively on association stock owned by borrowers with loans for which the association becomes liable as provided in this section or exclusively on association stock owned by borrowers with other loans through the association. (Aug. 19, 1937, c. 704, § 25 (b), 50 Stat. 711.)

(c) Same; effect of loan not in good standing.—If the loan of any borrower who was admitted to membership pursuant to this section is not in good standing at the time when there are ten or more borrowers with loans aggregating not less than \$20,000 which are in good standing, the provisions of paragraphs “First”, “Second”, and “Third” of this section shall be applicable to his loan at such time as it shall be placed in good standing. (Aug. 19, 1937, c. 704, § 25 (b), 50 Stat. 711.)

(d) Removal of impairment of stock.—If and when all impairment is removed in the stock owned by shareholders with loans which were made prior to the date on which the first member was admitted to the association pursuant to this section, the holders of such stock and the holders of stock issued on and after said date may, pursuant to rules and regulations of the Farm Credit Administration and consistent with the provisions of this chapter, agree as to the rights, powers, privileges, duties, and liabilities which shall thenceforth attach to their respective shares of stock and otherwise agree as to the future applicability, if any, of the special provisions contained in this section. (Aug. 19, 1937, c. 704, § 25 (b), 50 Stat. 711.)

**CAPITAL STOCK OF NATIONAL FARM LOAN
ASSOCIATIONS**

- § 731 **Par value of shares.**—The shares in national farm loan associations shall be of the par value of \$5 each. (July 17, 1916, c. 245, § 8, 39 Stat. 367.) § 8
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- § 732 **Voting privileges.**—Effective thirty days after August 19, 1937, every shareholder shall be entitled to one vote, and no more, at all elections of directors and in deciding all questions at meetings of shareholders. (July 17, 1916, c. 245, § 8, 39 Stat. 367; Aug. 19, 1937, c. 704, § 23, 50 Stat. 710.) § 8
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- § 733 **Borrowers only to be members; application for membership; subscription to stock in association; stock held as collateral; retirement of stock.**—No persons but borrowers on farm land mortgages shall be members or shareholders of national farm loan associations. Any person desiring to borrow on farm land mortgage through a national farm loan association shall make application for membership and shall subscribe for shares of stock in such farm loan association to an amount equal to 5 per centum of the face of the desired loan, said subscription to be paid in cash upon the granting of the loan. If the application for membership is accepted and the loan is granted, the applicant shall, upon full payment therefor, become the owner of one share of capital stock in said loan association for each \$100 of the face of his loan, or any major fractional part thereof. Said capital stock shall be paid off at par and retired upon full payment of said loan. Said capital stock shall be held by said association as collateral security for the payment of said loan, but said borrower shall be paid any dividends accruing and payable on said capital stock while it is outstanding. (July 17, 1916, c. 245, § 8, 39 Stat. 367.) § 8
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- § 734 **Increase of stock.**—Every national farm loan association formed under this chapter shall by its articles of association provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members and providing for the issue of shares to borrowers in accordance with the provisions of this chapter. Such § 8

increases shall be included in the quarterly reports to the Farm Credit Administration. (July 17, 1916, c. 245, § 8, 39 Stat. 367; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

NATIONAL FARM LOAN ASSOCIATIONS; SPECIAL PROVISIONS

§ 741 **Right of members to loans.**—Any person whose application for membership is accepted by a national farm loan association shall be entitled to borrow money on farm land mortgage upon filing his application in accordance with section 733, and otherwise complying with the terms of this chapter whenever the Federal land bank of the district has funds available for that purpose, unless said land bank or the Farm Credit Administration shall, in its discretion, otherwise determine. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Mar. 27, 1933, Ex. Or. 6084.)

§ 9

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 742 **Payment for stock from proceeds of member's mortgage loan.**—Any person desiring to secure a loan through a national farm loan association under the provisions of this chapter may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the national farm loan association, such sum to be made a part of the face of the loan and paid off in amortization payments: *Provided, however,* That such addition to the loan shall not be permitted to increase said loan above the limitation imposed in paragraph "Fifth" of section 771. (July 17, 1916, c. 245, § 9, 39 Stat. 368.)

§ 9

§ 743 **Commissions on interest payments; deduction from dividends; loans by land banks to associations; rate of interest.**—Subject to rules and regulations prescribed by the Farm Credit Administration, any national farm loan association shall be entitled to retain as a commission from each inter-

§ 9

est payment on any loan indorsed by it an amount to be determined by said administration not to exceed one-eighth of 1 per centum semiannually upon the unpaid principal of said loan, any amounts so retained as commissions to be deducted from dividends payable to such farm loan association by the Federal land bank, and to make application to the land bank of the district for loans not exceeding in the aggregate one-fourth of its total stock holdings in said land bank. The Federal land banks shall have power to make such loans to associations applying therefor and to charge interest at a rate not exceeding 6 per centum per annum. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 744 **Individual liability of shareholders.**—Shareholders of every national farm loan association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (July 17, 1916, c. 245, § 9, 39 Stat. 368.) § 9

See § 744a of this title for provisions modifying this section.

§ 744a **Same; contract liability after June 16, 1933.**—Notwithstanding the provisions of section 744, the shareholders of national farm loan associations shall not be held individually responsible for any contract, debt, or engagement of such association entered into after June 16, 1933, but this section shall not be construed to relieve any other liability with respect to stock held by such shareholders. (June 16, 1933, c. 98, § 72, 48 Stat. 271.)

§ 745 **New members.**—After a charter has been granted to a national farm loan association, any person who is the owner, or about to become the owner, of farm land qualified under section 771 of this title as the basis of a mortgage loan, and who desires to borrow on a mortgage of such farm land, may become a member of the association by a majority § 9

vote of the directors upon subscribing for one share of the capital stock of such association for each \$100 of the face of his proposed loan or any major fractional part thereof. He shall at the same time file with the secretary-treasurer his application for a mortgage loan, giving the particulars required by section 771 of this title. As used in this section, the term "person" includes an individual, an incorporated association, and a corporation which is eligible for a loan under section 771 of this title. (July 17, 1916, c. 245, § 9, 39 Stat. 368; June 3, 1935, c. 164, § 20, 49 Stat. 319; Aug. 19, 1937, c. 704, § 24, 50 Stat. 710.)

Section 24 of the Act of Aug. 19, 1937, effective thirty days after Aug. 19, 1937, reduced the required vote from "two-thirds" to "majority."

§ 746

Common board of directors for two or more associations.—Any other provisions of law to the contrary notwithstanding, two or more national farm loan associations may with the approval of the Farm Credit Administration, and by an agreement not inconsistent with any rules and regulations prescribed by the said Administration, provide for a common board of directors to be elected by the shareholders of the associations that are parties to the agreement: *Provided, however,* That each member of any such board shall be a shareholder in an association that is a party to the agreement and shall be a bona fide resident of the territory within which such association is authorized to do business: *And provided further,* That no such agreement shall provide for a term of office in excess of three years for any member of such board. The number of members of the common board of directors shall be specified in the agreement and shall be five or more. The agreement may provide that any director may be elected by the shareholders of one or more of the associations which are parties to the agreement; that in the balloting for any director an association may vote at a separate meeting of its shareholders or at a joint meeting with the shareholders of any other association or associations participating in the election of the director; and that the candidate receiving the highest aggregate number of votes at such meeting or meetings shall be declared elected. Whenever two or more national farm loan associations have entered into such an agreement, the members of the common board of directors provided for in the agreement shall be ex officio the members of the board of directors of each association that is a party to the agreement, any provisions of this chapter to the con-

§ 9

trary notwithstanding. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Aug. 19, 1937, c. 704, § 25 (a), 50 Stat. 710.)

- § 747 **Same; transfer of powers to loan committee.—** § 9
Whenever a national farm loan association has entered into such an agreement, the power of approving applications for loans through the association and the power of admitting persons to membership in the association shall be vested in the loan committee of the association in lieu of being vested in its board of directors. The loan committee of any such association shall be elected annually by the shareholders of the association, instead of by its board of directors, and the shareholders shall in addition annually elect two alternates to serve as members of the loan committee at such times as regular members may be absent or disqualified. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Aug. 19, 1937, c. 704, § 25 (a), 50 Stat. 710.)

APPRAISAL FOR FARM LOANS

- § 751 **Investigation by loan committee of association; character and solvency of applicant; sufficiency of security offered; report.—** § 10
Whenever an application for a mortgage loan is made through a national farm loan association, the loan committee provided for in section 712 of this title, shall forthwith make, or cause to be made, such investigation as it may deem necessary as to the character and solvency of the applicant, and the sufficiency of the security offered, and cause written report to be made of the result of such investigation, and shall, if it concurs in such report, approve the same in writing. No loan shall be made unless the report is favorable, and the loan committee is unanimous in its approval thereof. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Apr. 20, 1920, c. 154, § 2, 41 Stat. 570.)
- § 752 **Submission to land bank of loan application and report of association's committee; consideration of association's appraisal by bank.—** § 10
The written report required in section 751 shall be submitted to the Federal land bank, together with the application for the loan, and the directors of said land bank shall examine said written report when they pass on the loan application which it accompanies, but they shall not be bound by said appraisal. (July 17, 1916, c. 245, § 10, 39 Stat. 369; April 20, 1920, c. 154, § 2, 41 Stat. 570.)

§ 753 **Requirement for appraisal of land offered as security before making land bank loan.**—Before any mortgage loan is made by any Federal land bank, or joint stock land bank, it shall refer the application and written report of the loan committee to one or more of the land bank appraisers appointed under the authority of section 656 of this title, and such appraiser or appraisers shall investigate and make a written report upon the land offered as security for said loan. No such loan shall be made by said land bank unless said written report is favorable. (July 17, 1916, c. 245, § 10, 39 Stat. 369.) § 10

Joint stock land banks prohibited from making farm loans after May 12, 1933, except such as are necessary and incidental to refinancing existing loans and to sale of acquired real estate. See § 810 of this title.

§ 754 **Forms for reports.**—Forms for appraisal reports for farm loan associations and land banks shall be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Mar. 27, 1933, Ex. Or. 6084.) § 10

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 755 **Examinations by land bank appraisers as to farm loan bonds and first mortgages.**—Land bank appraisers shall make such examinations and appraisals and conduct such investigations, concerning farm loan bonds and first mortgages, as the Farm Credit Administration shall direct. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Mar. 27, 1933, Ex. Or. 6084.) § 10

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 756 **Borrower ineligible as land bank appraiser; association director or committeeman disqualified by interest in loan.**—No borrower under this subchapter shall be eligible as an appraiser under this subdivision, but borrowers may act as members of a loan committee in any case where they are not personally interested in the loan under consideration. When any member of a loan committee or of a board of directors is interested, directly or indirectly, in a loan, a majority of the board of direc- § 10

tors of any national farm loan association shall appoint a substitute to act in his place in passing upon such loan. (July 17, 1916, c. 245, § 10, 39 Stat. 369.)

POWERS OF NATIONAL FARM LOAN ASSOCIATIONS

§ 761 **Enumerated powers.**—Every national farm loan association shall have power: § 11

First. *Indorsing mortgages.*—To indorse, and thereby become liable for the payment of, mortgages taken from its shareholders by the Federal land bank of its district. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Second. *Receiving advances from banks and loaning to shareholders.*—To receive from the Federal land bank of its district funds advanced by said land bank, and to deliver said funds to its shareholders on receipt of first mortgages qualified under section 771 of this title. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Third. *Fixing charges for applications for loans.*—To fix reasonable initial charges to be made against applicants for loans and to borrowers in order to meet the necessary expenses of the association: *Provided*, That such charges shall not exceed amounts to be fixed by the Farm Credit Administration, and shall in no case exceed 1 per centum of the amount of the loan applied for; to acquire and dispose of property, real and personal, that may be necessary or convenient for the transaction of its business. (July 17, 1916, c. 245, § 11, 39 Stat. 369; Apr. 20, 1920, c. 154, § 3, 41 Stat. 570; Mar. 27, 1933, Ex. Or. 6084.)

Fourth. *Issuing interest-bearing certificates against deposits of current funds.*—To issue certificates against deposits of current funds bearing interest for not longer than one year at not to exceed 4 per centum per annum after six days from date, convertible into farm loan bonds when presented at the Federal land bank of the district in the amount of \$25 or any multiple thereof. Such deposits, when received, shall be forthwith transmitted to said land bank, and be invested by it in the purchase of farm loan bonds issued by a Federal land bank or in first mortgages as defined by this subchapter. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Fifth. *Collections by one association for another.*—Whenever a Federal land bank shall have empowered any national farm loan association of its district to collect and pay over to said bank the dues,

interest, amortization installments, and other sums payable under the terms, conditions, and covenants of the mortgages taken from its shareholders, such association may, with the approval of said bank, enter into an agreement with another association operating in the same or adjacent territory to make such collections, for and on behalf of the association thus empowered to do so, on any or all of said loans, and immediately pay the amounts so collected to said land bank. Such agreements shall be made upon such terms and conditions and for such consideration as may be approved by the Farm Credit Administration. (July 17, 1916, c. 245, § 11, 39 Stat. 369; Aug. 19, 1937, c. 704, § 25 (c), 50 Stat. 713.)

National farm loan associations authorized to make their services and facilities available to Land Bank Commissioner to aid in administering subchapter II of this chapter. See § 1018 of this title.

"Farm Credit Administration" mentioned in the text was substituted for "Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

RESTRICTIONS ON LOANS OF FEDERAL LAND BANKS BASED ON FIRST MORTGAGES

§ 771

Restrictions enumerated.—No Federal land bank organized under this chapter shall make loans except upon the following terms and conditions:

§ 12

First. *Security by first mortgage.*—Said loans shall be secured by duly recorded first mortgages on farm land within the farm credit district in which the bank is situated. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

Second. *Agreement for repayment on amortization plan.*—Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover, first, a charge on the loan at a rate not exceeding the interest rate in the last series of farm loan bonds issued by the land bank making the loan; second, a charge for administration and profits at a rate not exceeding, except with the approval of the Governor of the Farm Credit Administration, 1 per centum per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will extinguish the debt within an agreed period, not less than five years nor more than forty years: *Provided*, That after five years from the date upon

§ 771 which a loan is made the mortgagor may, upon any regular installment date, make in advance any number of payments or any portion thereof on account of the principal of his loan as provided by his contract or pay the entire principal of such loan, under the rules and regulations of the Farm Credit Administration: *And provided further*, That before the first issues of farm loan bonds by any land bank the interest rate on mortgages may be determined in the discretion of said land bank, subject to the provisions and limitations of this subchapter. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154, § 4, 41 Stat. 570; June 16, 1933, c. 98, § 73, 48 Stat. 271; Mar. 27, 1933, Ex. Or. 6084.) § 12

Third. *Maximum interest rate.*—No loan on mortgage shall be made under this subchapter at a rate of interest exceeding 6 per centum per annum, exclusive of amortization payments. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Fourth. *Purposes of loans enumerated.*—Such loans may be made for the following purposes and for no other:

(a) To provide for the purchase of land for agricultural uses.

(b) To provide for the purchase of equipment, fertilizers, and livestock necessary for the proper and reasonable operation of the mortgaged farm; the term “equipment” to be defined by the Farm Credit Administration.

(c) To provide buildings and for the improvement of farm lands; the term “improvement” to be defined by the Farm Credit Administration.

(d) To liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred prior to January 1, 1937.

(e) To provide the owner of the land mortgaged with funds for general agricultural uses. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154, § 4, 41 Stat. 570; Mar. 4, 1923, c. 252, § 306, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 2, 47 Stat. 1547; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 12, 50 Stat. 708.)

Fifth. *Limitation on amount of loans; appraisal; reappraisal.*—No such loan shall exceed 50 per centum of the value of the land mortgaged and 20 per centum of the value of the permanent, insured improvements thereon, said value to be ascertained by appraisal, as provided in sections 751–756 of this title. In making said appraisal the value of the land for agricultural purposes shall be the basis of ap-

§ 771 praisal and the earning power of said land shall be a principal factor. § 12

In making loans to owners of groves and orchards, including citrus fruit groves and other fruit groves and orchards, the Federal land banks, the farm land banks, and all Government agencies making loans upon such character of property may, in appraising the property offered as security, give a reasonable and fair valuation to the fruit trees located and growing upon said property and constituting a substantial part of its value. In determining the earning power of land used for the raising of livestock, due consideration shall be given to the extent to which the earning power of the fee-owned land is augmented by a lease or permit, granted by lawful authority of the United States or of any State, for the use of a portion of the public lands of the United States or of such State, where such permit or lease is in the nature of a right adjunctive to such fee-owned land, and its availability for use as such during the terms of the loan is reasonably assured.

A reappraisal may be permitted at any time in the discretion of the Federal land bank, and such additional loan may be granted as such reappraisal will warrant under the provisions of this paragraph. Whenever the amount of the loan applied for exceeds the amount that may be loaned under the appraisal as herein limited, such loan may be granted to the amount permitted under the terms of this paragraph without requiring a new application or appraisal. (July 17, 1916, c. 245, § 12, 39 Stat. 370; May 12, 1933, c. 25, § 41, 48 Stat. 51; June 3, 1935, c. 164, § 22, 49 Stat. 319.)

Sixth. Restrictions on eligibility for loans; assumption of mortgage and stock interests by purchaser of land or heir.—No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option, within sixty days of such death, to assume the mortgage and stock interests of the deceased. As used in this paragraph (1) the term “person” includes an individual or a corporation engaged in the raising of livestock; and (2) the term “corporation” includes any incorporated associa-

- § 771 tion; but no such loan shall be made to a corpora- § 12
tion (A) unless all the stock of the corporation is
owned by individuals themselves personally actu-
ally engaged in the raising of livestock on the farm
to be mortgaged as security for the loan, except in a
case where the Land Bank Commissioner permits
the loan if at least 75 per centum in value and num-
ber of shares of the stock of the corporation is
owned by the individuals personally actually so en-
gaged, and (B) unless the owners of at least 75 per
centum in value and number of shares of the stock
of the corporation assume personal liability for the
loan. No loan shall be made to any corporation
which is a subsidiary of, or affiliated (either di-
rectly or through substantial identity of stock
ownership) with, a corporation ineligible to procure
a loan in the amount applied for. (July 17, 1916, c.
245, § 12, 39 Stat. 370; June 16, 1933, c. 98, § 74, 48
Stat. 271; June 3, 1935, c. 164, § 18, 49 Stat. 319.)
- Seventh. *Maximum and minimum of loans.*—The
amount of loans to any one borrower shall in no case
exceed a maximum of \$50,000, but loans to any one
borrower shall not exceed \$25,000 unless approved
by the Land Bank Commissioner, nor shall any one
loan be for a less sum than \$100, but preference
shall be given to applications for loans of \$10,000
and under. (July 17, 1916, c. 245, § 12, 39 Stat.
370; Mar. 4, 1923, c. 252, § 307, 42 Stat. 1476; May
12, 1933, c. 25, § 25, 48 Stat. 44; June 16, 1933, c. 98,
§ 80 (a), 48 Stat. 273.)
- Eighth. *Form of applications for loans.*—Every
applicant for a loan under the terms of this sub-
chapter shall make application on a form to be pre-
scribed for that purpose by the Farm Credit Ad-
ministration, and such applicant shall state the
objects to which the proceeds of said loan are to be
applied, and shall afford such other information as
may be required. (July 17, 1916, c. 245, § 12, 39
Stat. 370; Mar. 27, 1933, Ex. Or. 6084.)
- Ninth. *Interest on defaulted payments; payment
of taxes and liens; insurance.*—Every borrower shall
pay simple interest on defaulted payments at the
rate of 8 per centum per annum, and by express
covenant in his mortgage deed shall undertake to
pay when due all taxes, liens, judgments, or assess-
ments which may be lawfully assessed against the
land mortgaged. Taxes, liens, judgments, or as-
sessments not paid when due, and paid by the
mortgagee, shall become a part of the mortgage
debt and shall bear simple interest at the rate of 8
per centum per annum. Every borrower shall un-

§ 771 undertake to keep insured to the satisfaction of the § 12
Farm Credit Administration all buildings the value
of which was a factor in determining the amount
of the loan. Insurance shall be made payable to the
mortgagee as its interest may appear at time of loss,
and, at the option of the mortgagor and subject to
general regulations of the Farm Credit Administra-
tion, sums so received may be used to pay for recon-
struction of the buildings destroyed. (July 17, 1916,
c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or.
6084.)

Tenth. Agreement by borrowers as to use of loans.—Every borrower who shall be granted a loan under the provisions of this subchapter shall enter into an agreement, in form and under conditions to be prescribed by the Farm Credit Administration, that if the whole or any portion of his loan shall be expended for purposes other than those specified in his original application, or if the borrower shall be in default in respect to any condition or covenant of the mortgage, the whole of said loan shall, at the option of the mortgagee, become due and payable forthwith: *Provided*, That the borrower may use part of said loan to pay for his stock in the farm loan association, and the land bank holding such mortgage may permit said loan to be used for any purpose specified in paragraph "Fourth" of this section. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084.)

Eleventh. Loans not invalidated by unauthorized acts by banks or associations.—No loan or the mortgage securing the same shall be impaired or invalidated by reason of the exercise of any power by any Federal land bank or national farm loan association in excess of the powers herein granted or any limitations thereon. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Twelfth. Reduction of interest on loans and deferment of principal.—Notwithstanding the provisions of paragraph "Second" of this section, the rate of interest on any loans on mortgage made through national farm loan associations or through agents as provided in sections 801–808 of this title, or purchased from joint stock land banks, by any Federal land bank, outstanding on May 12, 1933, or made through national farm loan associations after such date, shall not exceed $3\frac{1}{2}$ per centum per annum for all interest payable on installment dates occurring within a period of five years, commencing July 1, 1935; and no payment of the principal portion of any installment of any such loan out-

standing on June 3, 1935 shall be required prior to July 11, 1938, if the borrower shall not be in default with respect to any other condition or covenant of his mortgage. The foregoing provisions shall apply to loans made by Federal land banks through branches, except that the rates of interest paid for the respective periods above specified shall be one-half of 1 per centum per annum in excess of the rates of interest paid during the corresponding periods by borrowers on mortgage loans made through national farm loan associations. The Secretary of the Treasury shall pay each Federal land bank, as soon as practicable after October 1, 1933, and after the end of each quarter thereafter, such amount as the Land Bank Commissioner certifies to the Secretary of the Treasury is equal to the amount by which interest payments on mortgages held by such bank have been reduced, during the preceding quarter, by reason of this paragraph; but in any case in which the Land Bank Commissioner finds that the amount of interest payable by such bank during any quarter has been reduced by reason of the refinancing of bonds under section 992 of this title, the amount of the reduction so found shall be deducted from the amount payable to such bank under this paragraph. No payments shall be made to a bank with respect to any period after June 30, 1940. There is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$15,000,000 for the purpose of enabling the Secretary of the Treasury to make payments to Federal land banks which accrue during the fiscal year ending June 30, 1934, and such additional amounts as may be necessary to make payments accruing during subsequent fiscal years. (July 17, 1916, c. 245, § 12, 39 Stat. 370; May 12, 1933, c. 25, § 24, 48 Stat. 43; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; June 3, 1935, c. 164, § 3, 49 Stat. 314; June 24, 1936, c. 762, 49 Stat. 1912; July 22, 1937, c. 516, § 1, 50 Stat. 521; June 16, 1938, c. 462, § 1, 52 Stat. 709.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For Government subscription to paid-in surplus of bank, in amounts equal to principal payments deferred, see § 781 (Tenth) of this title.

§ 772

Loans to be in current funds, bonds of corporation, or farm loan bonds.—Amounts transmitted to farm loan associations by Federal land

§ 12

banks to be loaned to its members shall, at the option of the bank, be in current funds or Federal Farm Mortgage Corporation bonds, or, at the option of the borrower, in farm loan bonds. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Jan. 31, 1934, c. 7, § 7, 48 Stat. 346.)

§ 773 **Mortgages on farm lands under United States reclamation projects.**—The term “first mortgages”, as used in section 771 of this title, shall be construed to include mortgages on farm lands under United States reclamation projects, notwithstanding there may be against such lands a reserved or created lien in favor of the United States for construction or other charges as provided in sections 372, 381, 383, 391, 392, 411, 416, 419, 421, 431, 432, 434, 439, 461, 476, 491, 498 of Title 43 [U. S. Code], Public Lands, and acts amendatory thereof and supplementary thereto, known as the reclamation law: *Provided*, That such lands are otherwise eligible for loans under this subchapter: *And provided further*, That the amount and date of maturity of such lien shall be given due consideration in fixing the value of such lands for loan purposes. (May 15, 1922, c. 190, § 3, 42 Stat. 542.)

§ 773a **Loans on lands in drainage, irrigation, or conservancy districts.**—The Farm Credit Administration, the Federal Farm Mortgage Corporation, the Federal land banks, the Land Bank Commissioner, and any lending or financing agency established by or under subchapters I, III, IV and V of this chapter, are authorized to make loans or acquire mortgages on lands in any drainage, irrigation, or conservancy district, notwithstanding the existence of any prior lien or charge arising out of an assessment for special benefits made by such district, in any case where (1) such land is otherwise eligible for a loan, (2) such assessment is payable over a period of years, and (3) reasonable security exists for the repayment of the loan, taking into consideration all facts and values, including the term and size of the loan, the integrity of the applicant, and the increased earning capacity of the lands arising from the improvements or benefits in respect of which the assessment was made. (June 4, 1936, c. 496, 49 Stat. 1461.)

POWERS OF FEDERAL LAND BANKS GENERALLY

§ 781

Enumerated powers.—Every Federal land bank shall have power, subject to the limitations and requirements of this subchapter—

§ 13

First. *Issuing and selling farm loan bonds.*—To issue, subject to the approval of the Farm Credit Administration, and to sell farm loan bonds of the kinds authorized in this subchapter, to buy the same for its own account, and to retire the same at or before maturity. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 27, 1933, Ex. Or. 6084.)

Second. *Investing funds in first farm mortgages.*—To invest such funds as may be in its possession in the purchase of qualified first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting. In order to reduce and/or refinance farm mortgages, to invest such funds as may be in its possession in the purchase of first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting, or to exchange farm loan bonds for any duly recorded first mortgages on farm lands executed prior to May 12, 1933, at a price which shall not exceed in each individual case the amount of the unpaid principal of the mortgage on the date of such purchase or exchange, or 50 per centum of the normal value of the land mortgaged and 20 per centum of the value of the permanent insured improvements thereon as determined upon an appraisal made pursuant to this subchapter, whichever is the smaller: *Provided*, That any mortgagor whose mortgage is acquired by a Federal land bank under this paragraph shall be entitled to have his farm mortgage indebtedness refinanced in accordance with the provisions of sections 711–723 and 731–734 of this title, on the basis of the amount paid by the bank for his mortgage. (July 17, 1916, c. 245, § 13, 39 Stat. 372; May 12, 1933, c. 25, § 22, 48 Stat. 42; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

Third. *Receipt and deposit of mortgages as collateral for bonds; collection of moneys payable under mortgages and bonds.*—To receive and to deposit in trust with the farm loan registrar for the district, to be by him held as collateral security for farm loan bonds, first mortgages upon farm land qualified under section 771 of this title, and to empower national farm loan associations, or duly authorized agents, to collect and immediately pay over to said land banks the dues, interest, amortization in-

§ 781 stallments and other sums payable under the terms, conditions, and covenants of the mortgages and of the bonds secured thereby. (July 17, 1916, c. 245, § 13, 39 Stat. 372.) § 13

Fourth. *Acquiring and disposing of property.*—To acquire and dispose of—

(a) Such property, real or personal, as may be necessary or convenient for the transaction of its business, which, however, may be in part leased to others for revenue purposes.

(b) Parcels of land acquired in satisfaction of debts or purchased at sales under judgments, decrees, or mortgages held by it. But no such bank shall hold title and possession of any real estate purchased or acquired to secure any debt due to it, for a longer period than 5 years, except with the special approval of the Farm Credit Administration in writing. Every such bank may carry real estate as an asset, for a period of not exceeding 5 years, at its normal value but not to exceed the amount of the bank's investment therein at the time of acquirement of such real estate. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 3, 47 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

Fifth. *Depositing securities and funds with reserve banks.*—To deposit its securities and its current funds subject to check, with any member bank of the Federal Reserve System, and to receive interest on the same as may be agreed. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Sixth. *Receiving deposits from associations.*—To accept deposits of securities or of current funds from national farm loan associations holding its shares, but to pay no interest on such deposits. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Seventh. *Borrowing money.*—To borrow money, to give security therefor, and to pay interest thereon. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Eighth. *Buying and selling bonds of United States and Federal Farm Mortgage Corporation.*—To buy and sell United States bonds and Federal Farm Mortgage Corporation bonds. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Aug. 19, 1937, c. 704, § 15 (a), 50 Stat. 708.)

Ninth. *Charging fees for loans.*—To charge applicants for loans and borrowers, under rules and regulations promulgated by the Farm Credit Administration, reasonable fees not exceeding the actual cost of appraisal and determination of title. Legal fees and recording charges imposed by law in

§ 781 the State where the land to be mortgaged is located § 13
may also be included in the preliminary costs of negotiating mortgage loans. The borrower may pay such fees and charges or he may arrange with the Federal land bank making the loan to advance the same, in which case said expenses shall be made a part of the face of the loan and paid off in amortization payments. Such addition to the loan shall not be permitted to increase said loan above the limitations provided in section 771 of this title. (July 17, 1916. c. 245, § 13, 39 Stat. 372; Mar. 27, 1933, Ex. Or. 6084.)

Tenth. *Extension of obligations unpaid under terms of mortgages.*—When in the judgment of the directors conditions justify it, to extend, in whole or in part, any obligation that may be or become unpaid under the terms of any mortgage, and to accept payment of any such obligation during a period of five years or less from the date of such extension in such amounts as may be agreed upon at the date of making such extension. The sum of \$25,000,000 of the amount authorized to be appropriated under section 698 of this title shall be used exclusively for the purpose of supplying any bank with funds to use in its operations in place of any amounts of which such bank may be deprived by reason of extensions made as provided in this paragraph. The terms of any such extension shall be such as will not defer the collection of any obligation due by any borrower which, after investigation by the bank of the situation of such borrower, is shown to be within his capacity to meet. In the case of any such extension, or in the case of any deferment of principal as provided in paragraph “Twelfth” of section 771 of this title, it shall be the duty of the Secretary of the Treasury, on behalf of the United States, upon the request of the Federal land bank making the extension, and with the approval of the Land Bank Commissioner, to subscribe at such periods as the Commissioner shall determine, to the paid-in surplus of such bank an amount equal to the amount of all such extensions and deferments made by the bank during the preceding period. Such subscriptions shall be subject to call, in whole or in part, by the bank with the approval of the Commissioner upon thirty days’ notice. To enable the Secretary of the Treasury to make such subscriptions to the paid-in surplus of the Federal land banks, there is hereby authorized to be appropriated the sum of \$50,000,000, to be immediately available and remain available until expended. Upon pay-

§ 781 ment to any Federal land bank of the amount of § 13
any such subscription, such bank shall execute and
deliver a receipt therefor to the Secretary of the
Treasury in form to be prescribed by the Land Bank
Commissioner. The amount of any subscriptions to
the paid-in surplus of any such bank may be repaid
in whole or in part at any time in the discretion of
the bank and with the approval of the Land Bank
Commissioner, and the Commissioner may at any
time require such subscriptions to be repaid in whole
or in part if in his opinion the bank has resources
available therefor. The unexpended balances of the
funds appropriated by the Fourth Deficiency Act,
fiscal year 1933, approved June 16, 1933 (48 Stat.
279), the Emergency Appropriation Act, fiscal year
1935, approved June 19, 1934 (48 Stat. 1060), the
Second Deficiency Appropriation Act, fiscal year
1935, approved August 12, 1935 (49 Stat. 592), the
First Deficiency Appropriation Act, fiscal year 1936,
approved June 22, 1936 [49 Stat. 1597], the Treasury
Department Appropriation Act, 1937, approved
June 23, 1936 [49 Stat. 1827], and the Treasury De-
partment Appropriation Act, 1938, approved May
14, 1937 [50 Stat. 137], for the purpose of enabling
the Secretary of the Treasury to make subscriptions
to the paid-in surplus of the Federal land banks, as
provided for in this paragraph, and the proceeds
of all repayments on account of such paid-in surplus,
shall be held in the Treasury of the United States as
a revolving fund and shall be available for subscrip-
tions to paid-in surplus made pursuant to this para-
graph. (July 17, 1916, c. 245 § 13, 39 Stat. 372;
Jan. 23, 1932, c. 9, § 5, 47 Stat. 14; May 12, 1933,
c. 25, § 23, 48 Stat. 43; June 16, 1933, c. 98, § 80 (a),
48 Stat. 273; Aug. 19, 1937, c. 704, § 19, 50 Stat. 709.)

For interest rate on extended payments, see paragraph
"Twelfth" of this section.

Eleventh. *Postponement of payment of install-
ments of loans.*—At any time within five years
after March 4, 1933, any borrower who has obtained
a loan from a Federal land bank may on applica-
tion to such Federal land bank and upon approval
of such application by the directors of the bank
postpone the payment of any unpaid installment or
installments in the manner herein provided in this
section. Such postponed payment shall be made by
paying at the time each succeeding annual install-
ment is due, one-tenth of the amount of the post-
poned payment, and, in the case of semiannual in-
stallments, by paying at the time each succeeding

§ 781 semiannual installment is due, one-twentieth of the § 13
postponed payment, until the amount of such postponed payment has been paid. In any case in which the number of remaining installments due on the mortgage is less than ten, in the case of annual installments, or less than twenty, in the case of semiannual installments, the amount of the postponed payment shall be distributed proportionately over the remaining number of installment payments. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat. 1548.)

Twelfth. *Interest rate; on extended payments; on taxes, liens, etc., paid by mortgagee.*—For the period of five years after March 4, 1933, every borrower shall pay simple interest on extended payments at the same rate of interest as stipulated in the mortgage securing the loan as to payments not in default and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear interest at the rate provided in the mortgage. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat. 1548.)

Thirteenth. *Reamortization of mortgages.*—When in the judgment of the directors conditions justify it, and with the approval of the Farm Credit Administration, to reamortize, in whole or in part, the aggregate amount remaining unpaid under the terms of any mortgage, and to accept payment of such aggregate amount on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover the interest payable on the mortgage, and in addition thereto such amounts to be applied upon the principal as will extinguish the debt within an agreed period of not more than forty years from the date of the reamortization; to deposit such mortgages with the farm loan registrar as collateral security for farm loan bonds at an amount not exceeding the principal of the original loan remaining unpaid at the date of such amortization; and with the approval of the Farm Credit Administration to charge the borrower an amount not to exceed the actual cost incurred in connection with such reamortization. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

§ 781

§ 13

Fourteenth. *Agreements to share gains and losses with associations.*—To enter into agreements with national farm loan associations of the district under the terms of which losses incurred and gains realized on account of the disposition of lands covered by a defaulted mortgage indorsed by such association will be shared equally by the bank and the association. (July 17, 1916, c. 245, § 13, 39 Stat. 372; June 16, 1933, c. 98, § 79, 48 Stat. 272.)

Fifteenth. *Exchange for Federal Farm Mortgage Corporation bonds.*—To exchange farm loan bonds for Federal Farm Mortgage Corporation bonds of equal face value. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Jan. 31, 1934, c. 7, § 8 (a), 48 Stat. 347; Aug. 19, 1937, c. 704, § 15 (b), 50 Stat. 708.)

Sixteenth. *Exchange of Federal Farm Mortgage Corporation bonds for farm loan bonds.*—To exchange Federal Farm Mortgage Corporation bonds for farm loan bonds of equal face value. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Jan. 31, 1934, c. 7, § 8 (a), 48 Stat. 347.)

Seventeenth. *Loans to other Federal land banks.*—To make loans to other Federal land banks upon such terms and conditions as may be approved by the Farm Credit Administration. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Aug. 19, 1937, c. 704, § 16, 50 Stat. 708.)

Eighteenth. *Accepting conditional payments for subsequent credit on indebtedness.*—To accept conditional payments from borrowers for subsequent credit upon their indebtedness to the land bank; and to allow interest on such payments. All conditional payments so accepted shall be subject to such terms and conditions, not inconsistent with the provisions of this paragraph and with any rules or regulations prescribed for its efficient execution by the Farm Credit Administration, as may be agreed upon at the time of their acceptance. If a conditional payment is accepted for subsequent credit upon a first mortgage which is at the time or is thereafter pledged as collateral security for an issue of farm-loan bonds, all requirements, conditions, and limitations set forth in sections 897–899 of this title shall apply to such payment the same as though it were a present payment on the principal of the mortgage pledged as collateral security, and the land bank shall forthwith notify the farm loan registrar of its receipt of such payment and account to him therefor. Every conditional payment accepted by a land bank for subsequent

credit upon indebtedness of a borrower shall be credited upon such indebtedness as the borrower may from time to time direct in accordance with the terms and conditions upon which the payment has been accepted, and at the option of the bank may in any event be credited upon such indebtedness as and when it matures if it is not otherwise paid by the borrower at or before maturity. If at any time after five years from the date on which a borrower's loan was made, the aggregate of the borrower's conditional payments accepted on account of his indebtedness under such loan and not yet credited thereon equals or exceeds his total indebtedness under the loan, all unmatured indebtedness under such loan shall become due and payable at once, and the payments so accepted shall forthwith be credited upon the borrower's indebtedness under the loan so far as may be necessary to pay it in full. Any balances of conditional payments remaining uncredited when the indebtedness on account of which they have been accepted has been paid in full shall be refunded to the borrower by the land bank. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Aug. 19, 1937, c. 704, § 17, 50 Stat. 708.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Federal land banks authorized to make their services and facilities available to Land Bank Commissioner to aid in administering subchapter II of this chapter. See § 1018 of this title.

RESTRICTIONS ON FEDERAL LAND BANKS

§ 791

Enumeration of restrictions.—No Federal land bank shall have power—

§ 14

First. *Limiting deposits.*—To accept deposits of current funds payable upon demand except from its own stockholders, or to transact any banking or other business not expressly authorized by the provisions of this subchapter. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Second. *Loaning on first mortgages except through associations.*—To loan on first mortgage except through national farm loan associations as provided in sections 711–722 and sections 731–734 of this title [secs. 7 and 8 of the Federal Farm Loan Act, as amended], or through agents as provided in sections 801–808 of this title, or direct to borrowers as provided in section 723. (July 17, 1916, c. 245, § 14, 39 Stat. 372; Mar. 4, 1933, c. 270, § 5 (a), 47 Stat. 1549.)

Third. *Accepting other than first mortgages.*—To accept any mortgages on real estate except first mortgages created subject to all limitations imposed by sections 771–773 of this title, and those taken as additional security for existing loans. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Fourth. *Issuing excess of bonds; receiving excess of mortgages from associations.*—To issue or obligate itself for outstanding farm loan bonds (including consolidated bonds issued on its behalf) in excess of twenty times the amount of its capital and surplus, or to receive from any national farm loan association additional mortgages when the principal remaining unpaid upon mortgages already received from such association shall exceed twenty times the amount of its capital stock owned by such association. (July 17, 1916, c. 245, § 14, 39 Stat. 372; June 16, 1933, c. 98, § 75 (a), 48 Stat. 271.)

Fifth. *Demanding unauthorized commissions.*—To demand or receive, under any form or pretense, any commission or charge not specifically authorized in this subchapter. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Sixth. *Accepting mortgages on personal property exempt from execution.*—To accept as additional security for any loan to any borrower under this subchapter, or any installment on any such loan, any personal property which is exempt from execution upon judgment under the laws of the State in which the land with respect to which the mortgage is given is situated. (July 17, 1916, c. 245, § 14, 39 Stat. 372; Mar. 4, 1933, c. 270, § 5 (b), 47 Stat. 1549; June 16, 1933, c. 98, § 71, 48 Stat. 271.)

LOANS BY FEDERAL LAND BANKS THROUGH AGENTS

§ 801

Loans; when authorized.—Whenever it shall appear to the Farm Credit Administration that national farm loan associations have not been formed, and are not likely to be formed, in any locality, because of peculiar local conditions, said administration may, in its discretion, authorize Federal land banks to make loans on farm lands through agents approved by said administration. (July 17, 1916, c. 245, § 15, 39 Stat. 373; Mar. 27, 1933, Ex. Or. 6084.)

§ 15

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

- § 802 **Manner of making.**—Loans authorized by section 801 of this title shall be subject to the same conditions and restrictions as if the same were made through national farm loan associations, and each borrower shall contribute 5 per centum of the amount of his loan to the capital of the Federal land bank, and shall become the owner of as much capital stock of the land bank as such contribution shall warrant. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15
-
- § 803 **Who may be employed as agent.**—No agent other than a duly incorporated bank, trust company, mortgage company, or savings institution, chartered by the State in which it has its principal office, shall be employed under the provisions of sections 801–808 hereof. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15
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- § 804 **Expenses of and commissions to agents.**—Federal land banks may pay to such agents the actual expense of appraising the land offered as security for a loan, examining and certifying the title thereof, and making, executing, and recording the mortgage papers; and in addition may allow said agents not to exceed one-half of 1 per centum per annum upon the unpaid principal of said loan, such commission to be deducted from dividends payable to the borrower on his stock in the Federal land bank. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15
-
- § 805 **Expenses of agents added to loans.**—Actual expenses paid to agents under the provisions of sections 801–808 hereof shall be added to the face of the loan and paid off in amortization payments subject to the limitations provided in paragraph “Ninth” of section 781 of this title. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15
-
- § 806 **Collection of loan payments.**—Said agents, when required by the Federal land banks, shall collect and forward to such banks without charge all interest and amortization payments on loans indorsed by them. (July 17, 1916, c. 245, § 15, 39 Stat. 373.) § 15
-
- § 807 **Indorsement of loans; liability thereon.**—Any agent negotiating any such loan shall indorse the § 15

same and become liable for the payment thereof, and for any default by the mortgagor, on the same terms and under the same penalties as if the loan had been originally made by said agent as principal and sold by said agent to said land bank, but the aggregate of the unpaid principal of mortgage loans received from any such agent shall not exceed 10 times its capital and surplus. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

§ 808

When loans to cease.—If at any time the district represented by any agent under the provisions of sections 801–808 of this title shall, in the judgment of the Farm Credit Administration, be adequately served by national farm loan associations, no further loans shall be negotiated therein by agents under said sections. (July 17, 1916, c. 245, § 15, 39 Stat. 373; Mar. 27, 1933, Ex. Or. 6084.)

§ 15

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

JOINT STOCK LAND BANKS

§ 810

Restriction against making loans or issuing bonds after May 12, 1933.—After May 12, 1933, no joint stock land bank shall issue any tax-exempt bonds or make any farm loans except such as are necessary and incidental to the refinancing of existing loans or bond issues or to the sale of any real estate now owned or hereafter acquired by such bank. (May 12, 1933, c. 25, § 29, 48 Stat. 46.)

For loans to joint stock land banks to provide for orderly liquidation and for emergency purposes, see § 823 (note) of this title.

§ 811

Organization; directors.—Corporations, to be known as joint stock land banks, for carrying on the business of lending on farm mortgage security and issuing farm loan bonds, may be formed by any number of natural persons not less than ten. They shall be organized subject to the requirements and under the conditions set forth in sections 671–683 of this title, so far as the same may be applicable: *Provided*, That the board of directors of every joint stock land bank shall consist of not less than five members. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

§ 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

§ 812 **Individual liability of shareholders.**—Shareholders of every joint stock land bank organized under this chapter shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

§ 813 **Powers, duties, and liabilities; stock.**—Except as otherwise provided, joint stock land banks shall have the powers of, and be subject to all the restrictions and conditions imposed on, Federal land banks by this chapter, so far as such restrictions and conditions are applicable: *Provided, however,* That the Government of the United States shall not purchase or subscribe for any of the capital stock of any such bank; and each shareholder of any such bank shall have the same voting privileges as holders of shares in national banking associations. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

§ 814 **Limitation on amount of issue of bonds; transacting unauthorized business.**—No joint stock land bank shall have power to issue or obligate itself for outstanding farm loan bonds in excess of fifteen times the amount of its capital and surplus, or to receive deposits or to transact any banking or other business not expressly authorized by the provisions of this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

§ 815 **Minimum capital stock.**—No joint stock land bank shall be authorized to do business until capital stock to the amount of at least \$250,000 has been subscribed, one-half thereof paid in cash and the balance subject to call by the board of directors, and a charter has been issued to it by the Farm Credit Administration. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.) § 16

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

- § 816 **Issuing bonds before payment of stock.**—No § 16
joint stock land bank shall issue any bonds until
after the capital stock is entirely paid up. (July
17, 1916, c. 245, § 16, 39 Stat. 374.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

- § 817 **Form of bonds.**—Farm loan bonds issued by § 16
joint stock land banks shall be so engraved as to be
readily distinguished in form and color from farm
loan bonds issued by Federal land banks, and shall
otherwise bear such distinguishing marks as the
Farm Credit Administration shall direct. (July 17,
1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933,
Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

- § 818 **Interest rates; restrictions on mortgage § 16
loans.**—Joint stock land banks shall not be sub-
ject to the provisions of subsection (b) of section
831 of this title as to interest rates on mortgage
loans or farm loan bonds, nor to the provisions
of paragraphs “First”, “Fourth”, “Sixth”, “Sev-
enth”, and “Tenth” of section 771 as to restrictions
on mortgage loans: *Provided, however,* That no
loans shall be made which are not secured by first
mortgages on farm lands within the State in which
such joint stock land bank has its principal office,
or within some one State contiguous to such State,
except as hereinafter provided. Such joint stock
land banks shall be subject to all other restrictions
on mortgage loans imposed on Federal land banks
in section 771 of this title. (July 17, 1916, c. 245,
§ 16, 39 Stat. 374; Mar. 4, 1931, c. 518, § 1, 46 Stat.
1548.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

- § 819 **Limitation on interest rates.**—Joint stock land § 16
banks shall in no case charge a rate of interest on
farm loans exceeding by more than 1 per centum
the rate of interest established for the last series of
farm loan bonds issued by them. (July 17, 1916,
c. 245, § 16, 39 Stat. 374.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

§ 820 **Unauthorized commissions or charges.**—Joint stock land banks shall in no case demand or receive, under any form or pretense, any commission or charge not specifically authorized in this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

§ 821 **Bonds; form and contents.**—Each joint stock land bank organized under this chapter shall have authority to issue bonds based upon mortgages taken by it in accordance with the terms of this chapter. Such bonds shall be in form prescribed by the Farm Credit Administration, and it shall be stated in such bonds that such bank is organized under section sixteen of the Federal Farm Loan Act [sections 811–823 of this title], is under Federal supervision, and operates under the provisions of said Act. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.) § 16

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

§ 822 **Voluntary liquidation.**—Any joint stock land bank organized and doing business under the provisions of this chapter may go into voluntary liquidation by making provision, to be approved by the Farm Credit Administration, for the payment of its liabilities: *Provided*, That such method of liquidation shall have been duly authorized by a vote of at least two-thirds of the shareholders of such joint stock land bank at a regular meeting, or at a special meeting called for that purpose, of which at least ten days’ notice in writing shall have been given to stockholders. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691; Mar. 27, 1933, Ex. Or. 6084.) § 16

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

See also § 823 (note), and § 965.

§ 823 **Assets of liquidating bank; purchase by Federal or joint stock land bank; assumption of liabilities.**—For the purpose of assisting in any such liquidation authorized as in section 822 of this title provided, any Federal land bank or joint stock land bank may, with the approval of the Farm § 16

§ 823 Credit Administration, acquire the assets and assume the liabilities of any joint stock land bank, and in such transaction any Federal land bank may waive the provisions of this chapter requiring such bank to acquire its loans only through national farm loan associations or agents, and those relating to status of borrower, purposes of loan, and also the limitation as to the amount of individual loans. No Federal land bank shall assume the obligations of any joint stock land bank in such manner as to make its outstanding obligations more than twenty times its capital stock except by creation of a special reserve equal to one-twentieth of the amount of such additional obligations assumed. No joint stock land bank shall assume the obligations of any other joint stock land bank in such manner as to make its outstanding obligations more than fifteen times the amount of its capital and surplus except by creation of a special reserve equal to one-fifteenth of the amount of such additional obligations assumed. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691; Mar. 4, 1925, c. 524, § 5, 43 Stat. 1263; Mar. 27, 1933, Ex. Or. 6084.) § 16

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

HISTORICAL NOTE

Joint stock land banks are now prohibited from making loans or issuing tax-exempt bonds, except in circumstances permitted under § 810 of this title. This prohibition constituted Section 29 of Part 2 of “The Emergency Farm Mortgage Act of 1933.” Section 31 of that Act, as amended by Section 3 of the Farm Credit Act of 1937, made provision for loans to joint-stock land banks during a limited period of time to enable them to grant certain emergency relief to their borrowers. Section 31, as amended, reads as follows:

SEC. 31. (a) The Federal Farm Mortgage Corporation is authorized and directed to make available to the Land Bank Commissioner until July 1, 1938, out of the funds of the Corporation, the sum of \$2,000,000, to be used for the purpose of making loans to the joint-stock land banks organized and doing business under the Federal Farm Loan Act, as amended. Loans made by the Land Bank Commissioner under this section shall be made in the name and on behalf of the Corporation and shall bear interest at a rate not to exceed 4 per centum per annum. No loan shall be made under this section to any joint-stock land bank except for the purpose of obtaining, for a period of one year from the date on which the loan is made, postponement of the foreclosure of first mortgages held by such bank on account of (1) default in the payment of interest and principal due under the terms of the mortgage, and (2) unpaid delinquent taxes, excluding interest and penalties, which may be secured by the lien of said mortgage: *Provided*,

That during the period of postponement of foreclosure such banks shall charge the mortgagor interest at a rate not exceeding 4 per centum per annum on the aggregate amount of such delinquent taxes and defaulted interest and principal with respect to which loans are made pursuant to this section. The amount loaned to any joint stock land bank under this section shall be made without reappraisal: *Provided*, That the amount loaned with respect to any mortgage on account of unpaid principal shall not exceed 5 per centum of the total unpaid principal of such mortgage, and the total amount loaned to any such land bank with respect to any mortgage shall not exceed 25 per centum of the total unpaid principal of such mortgage.

(b) No such loan shall be made with respect to any mortgage unless the Land Bank Commissioner is satisfied that the mortgagor, after exercising ordinary diligence to pay his accrued delinquent taxes, and meet accrued interest and principal payments, has defaulted thereon; and unless the bank shall have agreed to the satisfaction of the Land Bank Commissioner that during the period of postponement the bank will not foreclose such mortgage unless the property covered thereby is abandoned by the mortgagor or unless in the opinion of the Land Bank Commissioner such foreclosure is necessary for other reasons.

(c) Each such loan shall be secured by an assignment to the Land Bank Commissioner of the lien of the taxes and/or of the bank's mortgage with respect to which the loan is made: *Provided*, That the part of each such lien so assigned representing the interest and principal due and unpaid in any such mortgage which has been assigned to the farm loan registrar shall be subordinate to the existing lien of the bank for the balance of the indebtedness then or thereafter to become due under the terms of such mortgage; but the Land Bank Commissioner may require the bank to furnish additional collateral as security for such loan, if such collateral is available to the bank.

(d) The Land Bank Commissioner is authorized to make such rules and regulations as may be necessary to carry out the purposes of this section and to make the relief contemplated immediately available. (May 12, 1933, c. 25, § 31, 48 Stat. 47; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; June 3, 1935, c. 164, § 17 (a), (b), 49 Stat. 318; Aug. 19, 1937, c. 704, § 3, 50 Stat. 703.)

"Farm Credit Administration" mentioned above was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 824

Insolvency; receivership; acquisition of assets by other banks; loans by acquiring bank in additional States.—In any case where a joint stock land bank has been, or may be, declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, any Federal land bank or joint stock land bank may, in the manner as may be prescribed by the Farm Credit Administration and with the approval of the Farm Credit Administration, acquire the assets and assume the liabilities of said joint stock land bank in the hands of a receiver. Any joint stock land bank which has acquired or may hereafter acquire the assets and

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which has assumed or may hereafter assume the liabilities of another joint stock land bank may, if authorized by the Farm Credit Administration, make loans secured by first mortgages on farm lands within the States in which the other joint stock land bank was authorized to make loans at the time of such acquisition, and the acquiring bank may, with the approval of the Farm Credit Administration, continue to make loans in the States where it was authorized to make loans at the time of such acquisition: *Provided, however,* That the acquiring bank shall not be authorized to make loans at any one time in more than five States, of which one shall be the State in which the bank has its principal office, one shall be contiguous to such State, the other shall be the States in which the acquired joint stock land banks were authorized to make loans at the time of such acquisition, and all of said five States shall be situated in contiguous territory. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 4, 1931, c. 518, § 2, 46 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

For receivers of joint stock land banks, see also § 963 of this title.

POWERS OF FARM CREDIT ADMINISTRATION

§ 831 **Enumeration.**—The Farm Credit Administration shall have power—

§ 17

(a) *Organizing and chartering banks and loan associations; authorizing increase of stock.*—To organize and charter Federal land banks, and to charter national farm loan associations and joint stock land banks subject to the provisions of this subchapter, and in its discretion to authorize them to increase their capital stock.

(b) *Reviewing and altering interest rates.*—To review and alter at its discretion the rate of interest to be charged by Federal land banks for loans made by them under the provisions of this subchapter, said rates to be uniform so far as practicable.

(c) *Granting or refusing authority to issue bonds.*—To grant or refuse to Federal land banks, or joint stock land banks, authority to make any specific issue of farm loan bonds.

(d) *Making rules and regulations as to charges on loans.*—To make rules and regulations respecting

§ 831 the charges made to borrowers on loans under this subchapter for expenses in appraisal, determination of title, and recording. § 17

(e) *Requiring reports, etc.; examining banks and associations.*—To require reports and statements of condition and to make examinations of all banks or associations doing business under the provisions of this subchapter.

(f) *Prescribing form and terms of bonds and surety bonds.*—To prescribe the form and terms of farm loan bonds, and the form, terms, and penal sums of all surety bonds required under this subchapter and of such other surety bonds as they shall deem necessary, such surety bonds to cover financial loss as well as faithful performance of duty.

(g) *Regulating payments between banks.*—To require Federal land banks to pay forthwith to any Federal land bank their equitable proportion of any sums advanced by said land bank to pay the coupons of any other land bank, basing said required payments on the amount of farm loan bonds issued by each land bank and actually outstanding at the time of such requirement.

(h) *Suspending or removal of directors, registrars, appraisers, and examiners.*—To suspend or to remove for cause any district director or director at large, or any registrar, appraiser, examiner, or other official appointed by the Farm Credit Administration under authority of sections 651–664 of this title, as amended, the cause of such suspension or removal to be communicated forthwith in writing by said Administration to the person suspended or removed, and in case of a district director or director at large to the proper Federal land bank, Federal intermediate credit bank, production credit corporation and regional bank for cooperatives.

(i) *Exercising supervisory authority over banks.*—To exercise general supervisory authority over the Federal land banks, the national farm loan associations, and the joint stock land banks herein provided for.

(j) *Incidental powers.*—To exercise such incidental powers as shall be necessary or requisite to fulfill its duties and carry out the purposes of this subchapter. (July 17, 1916, c. 245, § 17, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 9, 50 Stat. 707.)

Authorization to make rules and regulations, see § 665 of this title.

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

APPLICATIONS FOR FARM LOAN BONDS

§ 841 **Application; to whom made; collateral security; schedule.**—Any Federal land bank, or joint stock land bank, which shall have voted to issue farm loan bonds under this chapter, shall make written application to the Farm Credit Administration, through the farm loan registrar of the district, for approval of such issue. With said application said land bank shall tender to said farm loan registrar as collateral security first mortgages on farm lands qualified under the provisions of sections 771, 801–808, or 811–824 of this title [sections 12, 15, or 16 of the Federal Farm Loan Act, as amended], or United States Government bonds, not less in aggregate amount than the sum of the bonds proposed to be issued. Said bank shall furnish with such mortgages a schedule containing a description thereof and such further information as may be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.) § 18

Joint stock land banks prohibited from issuing tax-exempt bonds after May 12, 1933, except in circumstances permitted under § 810 of this title.

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 842 **Verification of schedule; investigation and appraisal of securities tendered; decision as to application.**—Upon receipt of the application provided for in section 841 of this title said farm loan registrar shall verify the schedule also provided for in said section and shall transmit said application and said schedule to the Farm Credit Administration, giving such further information pertaining thereto as he may possess. The Farm Credit Administration shall forthwith cause to be made such investigation and appraisement of the securities tendered as it shall deem wise, and it shall grant in whole or in part, or reject entirely, such application. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.) § 18

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 843 **Transmission of decisions to land bank and registrar; information to be furnished by registrar.**—The Farm Credit Administration shall § 18

promptly transmit its decision as to any issue of farm loan bonds to the land bank applying for the same and to the farm loan registrar of the district. Said registrar shall furnish, in writing, such information regarding any issue of farm loan bonds as the Farm Credit Administration may at any time require. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 844 **Written approval of issue requisite.**—No issue of farm loan bonds shall be authorized unless the Farm Credit Administration shall approve such issue in writing. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.) § 18

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

ISSUE OF FARM LOAN BONDS

§ 851 **Duties of registrar on approval of bond issue.**—Whenever any farm loan registrar shall receive from the Farm Credit Administration notice that it has approved any issue of farm loan bonds under the provisions of sections 841–844, he shall forthwith take such steps as may be necessary, in accordance with the provisions of this chapter, to insure the prompt execution of said bonds and the delivery of the same to the land bank applying therefor. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.) § 19

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 852 **Rejection of application; return of collateral security.**—Whenever the Farm Credit Administration shall reject entirely any application for an issue of farm loan bonds, the first mortgages and bonds tendered to the farm loan registrar as collateral security therefor shall be forthwith returned to said land bank by him. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.) § 19

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 853

Disposition of collateral security on approval of application.—Whenever the Farm Credit Administration shall approve an issue of farm loan bonds, the farm loan registrar having the custody of the first mortgages and bonds tendered as collateral security for such issue of bonds shall retain in his custody those first mortgages and bonds which are to be held as collateral security, and shall return to the bank owning the same any of said mortgages and bonds which are not to be held by him as collateral security. The land bank which is to issue said farm loan bonds shall transfer to said registrar, by assignment, in trust, all first mortgages and bonds which are to be held by said registrar as collateral security, said assignment providing for the right of redemption at any time by payment as provided in this chapter and reserving the right of substitution of other mortgages qualified under sections 771 and 811–824 of this title. Said mortgages and bonds shall be deposited in such deposit vault or bank as the Farm Credit Administration shall approve, subject to the control of said registrar and in his name as trustee for the bank issuing the farm loan bonds and for the prospective holders of said farm loan bonds. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 19

§ 854

Mortgages eligible as collateral.—No mortgage shall be accepted by a farm loan registrar from a land bank as part of an offering to securing* farm loan bonds, either originally or by substitution, except first mortgages made subject to the conditions prescribed in sections 671–683, 711–723, 771, 801–808, and 810–824 of this title: *Provided*, That such registrar, when authorized and directed to do so by the Farm Credit Administration, shall accept or retain in his custody as collateral, if otherwise eligible under the provisions of such sections, any first mortgage in connection with which the land bank depositing the same has agreed to defer for a period of not more than ten years the collection of the principal portion of maturing installments and to accept payment of the aggregate amount of such principal on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover the interest payable thereon and in addition thereto such amounts to be applied on

§ 19

*So in original.

the principal after the expiration of the period of deferment as will extinguish the debt within an agreed period of not more than forty years from the date of such agreement. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 4, 1933, c. 270, § 6 (a), 47 Stat. 1549; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 855 **Registrar's duty respecting amount of collateral; United States bonds or cash in lieu of mortgages withdrawn.**—It shall be the duty of each farm loan registrar to see that the farm loan bonds delivered by him and outstanding do not exceed the amount of collateral security pledged therefor. Such registrar may, in his discretion, temporarily accept, in place of mortgages withdrawn, United States Government bonds or cash. (July 17, 1916, c. 245, § 19, 39 Stat. 376.) § 19

§ 856 **Additional security.**—The Farm Credit Administration may, at any time, call upon any land bank for additional security to protect the bonds issued by it. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.) § 19

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 857 **Purchase money mortgages as collateral in lieu of mortgages withdrawn.**—Such farm loan registrar shall also accept purchase money mortgages as collateral security in place of mortgages withdrawn. The banks shall have power to execute all necessary conveyances, transfers, and assignments to carry out this provision. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 4, 1933, c. 270, § 6 (b), 47 Stat. 1549.) § 19

FORM OF FARM LOAN BONDS

§ 861 **Denominations; minimum and maximum periods; interest coupons; rates of interest.**—Bonds provided for in this subchapter shall be issued in denominations of \$40, \$100, \$500, \$1,000, and such larger denominations as the Farm Credit Administration may authorize; they shall run for specified minimum and maximum periods, subject to pay-

ment and retirement, at the option of the land bank, at any time after the minimum period specified in the bonds, which shall not be longer than ten years from the date of their issue. They shall have interest coupons attached, payable semiannually, and shall be issued in series of not less than \$50,000, the amount and terms to be fixed by the Farm Credit Administration. They shall bear a rate of interest not to exceed $5\frac{1}{2}$ per centum per annum, but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per centum per annum. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Apr. 20, 1920, c. 154, § 5, 41 Stat. 571; Mar. 4, 1921, c. 151, 41 Stat. 1362; Aug. 13, 1921, c. 63, 42 Stat. 159; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 862 **Rules and regulations as to payment.**—The § 20
Farm Credit Administration shall prescribe rules and regulations concerning the circumstances and manner in which farm loan bonds shall be paid and retired under the provisions of this chapter. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 863 **Delivery to bank.**—Farm loan bonds shall be de- § 20
livered through the registrar of the district to the bank applying for the same. (July 17, 1916, c. 245, § 20, 39 Stat. 377.)

§ 864 **Preparation; custody of plates and dies; ex- § 20
change for registered bonds; reexchange for coupons.**—In order to furnish farm loan bonds for delivery at the Federal land banks and joint stock land banks, the Secretary of the Treasury is hereby authorized to prepare suitable bonds in such form, subject to the provisions of this chapter, as the Farm Credit Administration may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the Farm Credit Administration. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. Any expenses incurred in the prepara-

tion, custody, and delivery of such farm loan bonds shall be paid by the Secretary of the Treasury from any funds in the Treasury not otherwise appropriated: *Provided, however,* That the Secretary shall be reimbursed for such expenditures by the Farm Credit Administration through assessment upon the farm land banks in proportion to the work executed. They may be exchanged into registered bonds of any amount, and reexchanged into coupon bonds, at the option of the holder, under rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Effective July 1, 1935, the permanent appropriation provided for in this section was repealed by Act June 26, 1934, c. 756, § 1, 48 Stat. 1224. See section 725 (b) of Title 31, U. S. Code.

SPECIAL PROVISIONS OF FARM LOAN BONDS

§ 871 **Land banks as bound by acts of officers and Farm Credit Administration in issue of bonds.—** § 21
Each land bank shall be bound in all respects by the acts of its officers in signing and issuing farm loan bonds and by the acts of the Farm Credit Administration in authorizing their issue. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 872 **Liability of each Federal land bank for bonds issued by it and by other Federal land banks.—** § 21
Every Federal land bank issuing farm loan bonds shall be primarily liable therefor, and shall also be liable, upon presentation of farm loan bond coupons, for interest payments due upon any farm loan bonds issued by other Federal land banks and remaining unpaid in consequence of the default of such other land banks; and every such bank shall likewise be liable for such portion of the principal of farm loan bonds so issued as shall not be paid after the assets of any such other land banks shall have been liquidated and distributed: *Provided,* That such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent land banks liable therefor in proportion to the amount of farm loan bonds which each

may have outstanding at the time of such assessment. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 873 **Federal land banks; action of directors respecting bond liability.**—Every Federal land bank shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on farm loan bonds as provided in sections 871–886 of this title. (July 17, 1916, c. 245, § 21, 39 Stat. 377.) § 21

§ 874 **Signing and attesting bonds; certificate of Land Bank Commissioner.**—Every farm loan bond issued by a Federal land bank shall be signed by its president or vice president and attested by its secretary or assistant secretary. For the purpose of signing such bonds the board of directors of any Federal land bank is authorized to select a vice president who need not be a member of the board of directors; such bonds shall also contain in the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of the Federal Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security of United States Government bonds, or first mortgages on farm lands, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Apr. 20, 1920, c. 154, § 6, 41 Stat. 571; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 75 (b), 80 (a), 48 Stat. 271, 273.) § 21

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 875 **Consolidated bonds; authority of Federal land banks to issue and sell.**—Whenever it shall appear desirable to issue consolidated bonds of the twelve Federal land banks and to sell them through a § 21

common selling agency, and the Federal land banks shall, by resolution, consent to the same, the banks may issue and sell said bonds as hereinafter provided. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.)

§ 876 **Consolidated bonds; signature and attestation; joint and several obligations; recitals.**— § 21

Every bond so issued shall be signed by the Land Bank Commissioner and attested by any deputy land bank commissioner, and their signatures may be either written or engraved thereon and shall recite in the face of the bond the fact that it is the joint and several obligation of the twelve Federal land banks, and shall in all respects be governed by the provisions of the Federal Farm Loan Act not inconsistent herewith. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

§ 877 **Consolidated bonds; where payable.**—The con- § 21

solidated bonds issued under this provision shall be made payable at any Federal land bank, and may be made payable at any Federal reserve bank or banks designated in the face of the bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.)

§ 878 **Consolidated bonds; act of Commissioner binding on banks.**—Each Federal land bank on § 21

whose behalf consolidated bonds shall be issued under this provision shall in all respects be bound by the act of the Land Bank Commissioner and the [attesting] deputy land bank commissioner. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1925, c. 524, § 6, 43 Stat. 1264; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

§ 879 **Consolidated bonds; action of directors re- § 21**

specting bond liability.—Every Federal land bank, before participation in a consolidated issue, as herein provided, shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on Federal farm loan bonds as provided in sections 871–886, and be bound by the action of the Land Bank Commissioner and any deputy land bank commissioner in

executing the same. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

§ 880

Certificate of Land Bank Commissioner.—

§ 21

Every farm loan bond issued hereunder shall contain on the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of Title I of the Federal Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security consisting of obligations of the United States Government, or first mortgages on farm lands, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 75 (b), 80 (a), 48 Stat. 271, 273.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 881

Farm loan bonds, special provisions of; consolidated bonds; participation of Federal land bank in issue; collateral.—

§ 21

(a) **Approval of issue requisite; collateral to be held separate from collective security for individual bonds; payments on pledged mortgages as trust funds.**—When any Federal land bank shall desire to participate in a consolidated issue of farm loan bonds it shall make application to the Farm Credit Administration for the approval on its behalf of such issue and tender to the registrar approved farm mortgages, or obligations of the United States Government, as security therefor, and no banks shall participate in such consolidated issue until such application has been approved by the Farm Credit Administration. Such approved farm mortgages or obligations of the United States Government shall be held by each farm loan registrar as collateral security for consolidated bonds, separate and apart from the mortgages and/or Government bonds held by him as collective security for the bonds previously issued or assumed

§ 881 individually by the Federal land bank of his district. Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of consolidated farm loan bonds shall constitute a trust fund in the hands of the Federal land bank receiving the same and shall be applied or employed in the manner provided in sections 891-899 with respect to payments on principal of first mortgages held as collateral for farm loan bonds of individual banks. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.) § 21

(b) Notice to registrar of disposition of payments on mortgages held as collateral; maintenance of collateral by banks.—Every Federal land bank shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held as collateral security for the issue of consolidated farm loan bonds, and said registrar is authorized, at his discretion to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. Each bank shall maintain with the farm loan registrar of its district collateral security for the issue of consolidated farm loan bonds in an amount at least equal to the face amount of such bonds issued on its behalf. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550.)

(c) Withdrawal of collateral on surrender of bonds.—When any Federal land bank shall surrender to the farm loan registrar of its district any consolidated Federal farm loan bonds, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds previously pledged as collateral in connection with any issue of consolidated farm loan bonds to an amount equal to the consolidated farm loan bonds so surrendered and it shall be the duty of such registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550.)

(d) Additional collateral; payment of bonds and coupons.—The Farm Credit Administration may at any time call upon any Federal land bank for additional security to protect the consolidated bonds issued under the provisions of this section.

Each bank shall pay when due, without notice, all bonds and coupons issued on its behalf hereunder. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

(e) Power of Federal land bank to exchange consolidated bonds for individual bonds.—Every Federal land bank shall have power to exchange consolidated farm loan bonds for farm loan bonds previously issued or assumed by it individually, with the approval of and under rules and regulations promulgated by the Farm Credit Administration. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 882 **Consolidated bonds; failure of participating bank to pay interest or principal; liability of other banks.**—If any Federal land bank shall fail to pay its proportion of interest or principal as prescribed in section 881 (d) of this title, the Farm Credit Administration shall immediately call upon the other Federal land banks for the amount necessary to make said payment, the assessments to be made in proportion to the capital stock of each, which assessments shall be forthwith paid by said banks. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 883 **Bond committee and subcommittee.**—The presidents of the twelve Federal land banks shall constitute the bond committee of the Federal land banks and shall select a chairman from among their number. The vice president may act in place of the president on the president’s request or in case he fails to act. The bond committee may appoint from among their number a subcommittee consisting of three members, to hold office for a period of one year or until their successors have been appointed, may from among their number fill any vacancies on the subcommittee and may dismiss at pleasure the

§ 21

§ 21

members of the subcommittee or any of them. The subcommittee, if appointed, shall have such authority to exercise the powers and to perform the functions of the bond committee as the bond committee may authorize and shall be subject to all provisions of law relating to the duties and expenses of the bond committee. The committee shall select one of the members of the subcommittee to be chairman and one of the members of the subcommittee to be secretary of the subcommittee. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Aug. 19, 1937, c. 704, § 18, 50 Stat. 709.)

§ 884 **Consolidated bonds; duties of bond committee.**—When an issue of consolidated bonds is contemplated, the bond committee shall determine the amount of such issue, the rate of interest which it is to bear, and the participation of the several banks therein, and submit their recommendations to the Farm Credit Administration for approval. When approved by the Farm Credit Administration the bonds shall be executed by the Land Bank Commissioner and any deputy land bank commissioner, as provided in section 876 of this title. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.) § 21

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 885 **Consolidated bonds; expenses.**—The expenses of the bond committee and of the sale of bonds shall be charged against the several land banks in proportion to their participation in the proceeds. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.) § 21

§ 886 **Compensation of members of bond committee.**—The presidents of the Federal land banks shall receive no additional compensation for their services as members of the bond committee, but shall be paid necessary traveling expenses. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.) § 21

APPLICATION OF AMORTIZATION AND INTEREST
PAYMENTS

- § 891 **Payments upon mortgages pledged as collateral for bond issue; notice to registrar; cancellation of mortgage and discharge of lien upon full payment.**—Whenever any Federal land bank, or joint stock land bank, shall receive any interest, amortization, or other payments upon any first mortgage or bond pledged as collateral security for the issue of farm loan bonds, it shall forthwith notify the farm loan registrar of the items so received. Said registrar shall forthwith cause such payment to be duly credited upon the mortgage entitled to such credit. Whenever any such mortgage is paid in full, said registrar shall cause the same to be canceled and delivered to the proper land bank, which shall promptly satisfy and discharge the lien of record and transmit such canceled mortgage to the original maker thereof, or his heirs, administrators, executors, or assigns. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22
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- § 892 **Withdrawal of collateral and substitution of other security.**—Upon written application by any Federal land bank, or joint stock land bank, to the farm loan registrar, it may be permitted, in the discretion of said registrar, to withdraw any mortgages or bonds pledged as collateral security under this chapter, and to substitute therefor other similar mortgages or United States Government bonds not less in amount than the mortgages or bonds desired to be withdrawn. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22
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- § 893 **Place and mode of payment of bonds or interest thereon; cancellation on payment.**—Whenever any farm loan bonds, or coupons or interest payments of such bonds, are due under their terms, they shall be payable at the land bank by which they were issued, in gold or lawful money, and upon payment shall be duly canceled by said bank. At the discretion of the Farm Credit Administration, payment of any farm loan bond or coupon or interest payment may, however, be authorized to be made at any Federal land bank, any joint stock land bank, or any other bank, under rules and regula- § 22

tions to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 22, 39 Stat. 378; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 894 **Withdrawal of collateral security on surrender of bonds.**—When any land bank shall surrender to the proper farm loan registrar any farm loan bonds of any series, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds pledged as collateral security for any of said series of farm loan bonds to an amount equal to the farm loan bonds so surrendered, and it shall be the duty of said registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22

§ 895 **Interest payments on pledged mortgages.**—Interest payments on hypothecated first mortgages shall be at the disposal of the land bank pledging the same, and shall be available for the payment of coupons and the interest of farm loan bonds as they become due. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22

§ 896 **Payment of bonds, coupons and interest at maturity.**—Whenever any bond matures, or the interest on any registered bond is due or the coupon on any coupon bond matures, and the same shall be presented for payment as provided in this subchapter, the full face value thereof shall be paid to the holder. (July 17, 1916, c. 245, § 22, 39 Stat. 378.) § 22

§ 897 **Payment of bonds, coupons and interest at maturity; trust fund from payments on mortgages held as collateral.**—Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of farm loan bonds shall constitute a trust fund in the hands of the Federal land bank or joint stock land bank receiving the same, and shall be applied or employed as follows: § 22

In the case of a Federal land bank—

(a) To pay off farm loan bonds issued by or in behalf of said bank as they mature.

(b) To purchase at or below par Federal Farm loan bonds.

(c) To loan on first mortgages on farm lands within the farm credit district, qualified under this chapter as collateral security for an issue of farm loan bonds.

(d) To purchase United States Government bonds.

(e) To purchase Federal Farm Mortgage Corporation bonds.

In the case of a joint stock land bank—

(a) To pay off farm loan bonds issued by said bank as they mature.

(b) To purchase at or below par farm loan bonds.

(c) To loan on first mortgages qualified under sections 811–821 of this title.

(d) To purchase United States Government bonds.

(e) To purchase Federal Farm Mortgage Corporation bonds. (July 17, 1916, c. 245, § 22, 39 Stat. 378; Mar. 4, 1923, c. 252, § 309, 42 Stat. 1477; Jan. 31, 1934, c. 7, § 8 (b), 48 Stat. 347; Aug. 19, 1937, c. 704, §§ 5 (a), 15 (c), 50 Stat. 704, 708.)

New loans by joint stock land banks prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title.

§ 898	Payment of bonds, coupons and interest at maturity; deposit of trust funds with registrars as substituted collateral security.—The farm loan bonds, first mortgages, United States Government bonds, or cash constituting the trust funds aforesaid, shall be forthwith deposited with the farm loan registrar as substituted collateral security in place of the sums paid on the principal of indorsed mortgages held by him in trust. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)	§ 22
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§ 899	Payment of bonds, coupons and interest at maturity; notice to registrar of disposition of principal payments on mortgages held as collateral; transfer to registrar on demand.—Every Federal land bank, or joint stock land bank, shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held as collateral security for an issue of farm loan bonds, and said registrar is authorized, at his dis-	§ 22
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cretion, to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

RESERVES AND DIVIDENDS OF LAND BANKS

§ 901 **Amount carried to reserve account; making good impairment; debit to reserve account.—** § 23

(a) **Federal land banks; amount carried to reserve; making good impairment.**—Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13.)

(b) **Joint stock land banks; amount carried to reserve; making good impairment.**—Every joint stock land bank shall semiannually carry to reserve account 25 per centum of its net earnings until said reserve account shall show a credit balance equal to 20 per centum of the outstanding capital stock of said land bank. After said reserve has reached the sum of 20 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be annually added thereto. Whenever said reserve shall have been impaired, said balance of 20 per centum shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

(c) **Debit to reserve account.**—For the period of two years from the date when any default occurs in the payment to any land bank of the interest, amortization installments, or principal on any first mortgage, by both mortgagor and indorser, the amount so defaulted shall be carried to a suspense account, and at the end of the two-year period specified, unless collected, shall be debited to reserve account. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

§ 902 **Dividends on balance of net earnings; investment of reserves.—** § 23

(a) **Federal land bank dividends.**—After deducting the 50 per centum or the 10 per centum

directed to be deducted for credit to reserve account by section 901 of this title, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13; Mar. 27, 1933, Ex. Or. 6084.)

(b) Joint stock land bank dividends.—After deducting the 25 per centum or the 5 per centum directed to be deducted for credit to reserve account by section 901 of this title, any joint stock land bank may declare a dividend to shareholders of the whole or any part of the balance of its net earnings: *Provided*, That any dividend or dividends declared by any joint stock land bank shall be subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (b), 47 Stat. 13; Mar. 27, 1933, Ex. Or. 6084.)

(c) Investment of reserves.—The reserves of land banks shall be invested in accordance with rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

RESERVES AND DIVIDENDS OF NATIONAL FARM LOAN ASSOCIATIONS

§ 911	Amount carried to reserve account.—Every national farm loan association shall, out of its net earnings, semiannually carry to reserve account a sum not less than 10 per centum of such net earnings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be semiannually added thereto. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.)	§ 24
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§ 912	Making good impairment of reserve.—Whenever the reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.)	§ 24
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§ 913 **Dividends on balance of net earnings.**—After § 24
deducting the 10 per centum or the 5 per centum
hereinbefore directed to be credited to reserve ac-
count, said association may at its discretion declare
a dividend to shareholders of the whole or any part
of the balance of said net earnings: *Provided*, That
the declaration and payment of any such dividend
shall be subject to the approval of the Land Bank
Commissioner. (July 17, 1916, c. 245, § 24, 39 Stat.
379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13; June 3, 1935,
c. 164, § 4, 49 Stat. 315.)

§ 914 **Investment of reserves.**—The reserves of farm § 24
loan associations shall be invested in accordance
with rules and regulations to be prescribed by the
Farm Credit Administration. (July 17, 1916, c. 245,
§ 24, 39 Stat. 379; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was sub-
stituted for “Federal Farm Loan Board” pursuant to the Execu-
tive Order cited thereto, which is set out in full at the beginning
of this chapter.

§ 915 **Disposition of reserve on liquidation.**—When- § 24
ever any farm loan association shall be voluntarily
liquidated a sum equal to its reserve account as
herein required shall be paid to and become the
property of the Federal land bank in which such
loan association may be a shareholder. (July 17,
1916, c. 245, § 24, 39 Stat. 379.)

DEFAULTED FARM LOANS

§ 921 **Mortgage held by Federal land bank; notice to § 25**
indorsing association; making good default.—If
there shall be default under the terms of any in-
dorsed first mortgage held by a Federal land bank
under the provisions of this chapter the national
farm loan association through which said mortgage
was received by said Federal land bank shall be
notified of said default. Said association may
thereupon be required, within 30 days after such
notice, to make good such default, either by pay-
ment of the amount unpaid thereon in cash or by
the substitution of an equal amount of Federal
farm loan bonds, with all unmatured coupons at-
tached. (July 17, 1916, c. 245, § 25, 39 Stat. 380;
Mar. 4, 1923, c. 252, § 310, 42 Stat. 1477.)

EXEMPTION FROM TAXATION

- § 931 **Federal land banks; national farm loan associations; mortgages and bonds as instrumentalities of Government.**—Every Federal land bank and every national farm loan association, including the capital and reserve or surplus therein and the income derived therefrom, shall be exempt from Federal, State, municipal, and local taxation, except taxes upon real estate held, purchased, or taken by said bank or association under the provisions of sections 761 and 781 of this title. First mortgages executed to Federal land banks, or to joint stock land banks, and farm loan bonds issued under the provisions of this chapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation. (July 17, 1916, c. 245, § 26, 39 Stat. 380.) § 26
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- § 932 **Joint stock land banks; State taxation of shareholder, limitations on.**—Nothing herein shall prevent the shares in any joint stock land bank from being included in the valuation of the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which the bank is located; but such assessment and taxation shall be in manner and subject to the conditions and limitations contained in section 548 of Title 12 [U. S. Code] with reference to the shares of national banking associations. (July 17, 1916, c. 245, § 26, 39 Stat. 380.) § 26
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- § 933 **Federal and joint stock land banks; real property not exempt.**—Nothing herein shall be construed to exempt the real property of Federal and joint stock land banks and national farm loan associations from either State, county, or municipal taxes, to the same extent, according to its value, as other real property is taxed. (July 17, 1916, c. 245, § 26, 39 Stat. 380.) § 26
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INVESTMENT IN FARM LOAN BONDS

- § 941 **Fiduciary and trust funds; security for public deposits.**—Farm loan bonds issued under the provisions of this chapter by Federal land banks or joint stock land banks shall be a lawful investment for all fiduciary and trust funds, and may be ac- § 27

cepted as security for all public deposits. (July 17, 1916, c. 245, § 27, 39 Stat. 380.)

§ 942 **Buying and selling by member banks of Federal reserve system.**—Any member bank of the Federal reserve system may buy and sell farm loan bonds issued under the authority of this chapter. (July 17, 1916, c. 245, § 27, 39 Stat. 380.) § 27

§ 943 **Buying and selling by reserve banks.**—Any Federal reserve bank may buy and sell farm loan bonds issued under this chapter to the same extent and subject to the same limitations placed upon the purchase and sale by said banks of State, county, district, and municipal bonds under section 14 (b) of the Federal Reserve Act of December 23, 1913 [section 355 of chapter 3 of Title 12, U. S. Code]. (July 17, 1916, c. 245, § 27, 39 Stat. 380.) § 27

EXAMINATIONS

§ 951 **Farm credit examiners; appointment; number.**—The Farm Credit Administration shall appoint as many farm credit examiners as in its judgment may be required to make careful examinations of the banks and associations permitted to do business under this subchapter and subchapter III of this chapter. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.) § 28

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 952 **Requirements, responsibilities, and penalties applicable to examiners; examinations; reports.**—Farm credit examiners shall be subject to the same requirements, responsibilities, and penalties as are applicable to national bank examiners under chapters 2 and 3 of Title 12 [U. S. Code] and other provisions of law. Whenever directed by the Farm Credit Administration, said examiners shall examine the condition of any national farm loan association and report the same to the Land Bank Commissioner. They shall examine and report the condition of every Federal land bank and joint stock land bank at least twice each year. (July 17,

1916, c. 245, § 28, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 953 **Salaries of examiners.**—Farm credit examiners shall receive salaries to be fixed by the Farm Credit Administration. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.) § 28

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter. For assessments on banks for amount of salaries and expenses, see § 657 of this title.

RECEIVERS AND CONSERVATORS

§ 961 **National farm loan associations; institution and conduct of receivership; duties and powers of receivers.**—Upon receiving satisfactory evidence that any national farm loan association has failed to meet its outstanding obligations of any description the Farm Credit Administration may forthwith declare such association insolvent and appoint a receiver and require of him such bond and security as it deems proper: *Provided*, That no national farm loan association shall be declared insolvent by said administration until the total amount of defaults of current interest and amortization installments on loans indorsed by national farm loan associations shall amount to at least \$150,000 in the farm credit district, unless such association shall have been in default for a period of two years. Such receiver, under the direction of the Farm Credit Administration, shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to it, and, with the approval of the Farm Credit Administration, or upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like approval or order, may sell all the real and personal property of such association, on such terms as the Farm Credit Administration or said court shall direct. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.) § 29

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 962 **Disposition of moneys collected by receiver; reports.**—Such receiver shall pay over all money so collected to the Treasurer of the United States, subject to the order of the Farm Credit Administration, and also make report to said administration of all his acts and proceedings. The Secretary of the Treasury shall have authority to deposit at interest any money so received. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.) § 29

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 963 **Federal and joint stock land banks; institution and conduct of receivership.**—Upon default of any obligation, Federal land banks and joint stock land banks may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961–967 regarding national farm loan associations. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.) § 29

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 963a **Authorization to receiver to borrow money for paying taxes on real estate.**—Any receiver appointed by the Farm Credit Administration pursuant to sections 961–967 of this title, as amended, or any receiver appointed by a district court of the United States, is authorized, for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it, with the approval of the Land Bank Commissioner, to borrow from the Reconstruction Finance Corporation and to issue receiver’s certificates against the assets of such bank as security for any loan received from the Corporation under this section, and such certificates shall constitute a prior lien on such assets. The Reconstruction Finance Corporation is authorized to make loans to such receivers for the purposes of this section. (Mar. 27, 1933, Ex. Or. 6084; May 12, 1933, c. 25, § 27, 48 Stat. 45; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 964 **National farm loan associations; disposition of stock in Federal land bank.**—If any national farm loan association shall be declared insolvent and a receiver shall be appointed therefor by the Farm Credit Administration, the stock held by it in the Federal land bank of its district shall be canceled without impairment of its liability and all payments on such stock, with accrued dividends, if any, since the date of the last dividend shall be first applied to all debts of the insolvent farm loan association to the Federal land bank and the balance, if any, shall be paid to the receiver of said farm loan association: *Provided*, That in estimating said debts contingent liabilities incurred by national farm loan associations under the provisions of this chapter on account of default of principal or interest of indorsed mortgages shall be estimated and included as a debt, and said contingent liabilities shall be determined by agreement between the receiver and the Federal land bank of the district, subject to the approval of the Farm Credit Administration, and if said receiver and said land bank cannot agree, then by the decision of the Land Bank Commissioner, and the amount thus ascertained shall be deducted in accordance with the provisions of this section from the amount otherwise due said national farm loan association for said canceled stock. Whenever the capital stock of a Federal land bank shall be reduced, the board of directors shall cause to be executed a certificate to the Farm Credit Administration, showing such reduction of capital stock, and, if said reduction shall be due to the insolvency of a national farm loan association, the amount repaid to such association. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 965 **Voluntary liquidation; consolidation of farm loan associations.**—No national farm loan association, Federal land bank or joint stock land bank shall go into voluntary liquidation without the written consent of the Farm Credit Administration, but national farm loan associations may consolidate under rules and regulations promulgated by the Farm Credit Administration. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Execu-

tive Order cited thereto, which is set out in full at the beginning of this chapter.

For limitations on new business of joint stock land banks, and provisions for assisting in their orderly liquidation, see § 810 and § 823 (note), of this title.

§ 966 **National farm loan associations; disposition of stock in Federal land bank upon voluntary liquidation; personal liability of members.**— § 29

Upon liquidation of any national farm loan association, the stock in the Federal land bank held by such association shall be canceled and the Federal land bank shall thereupon issue to the borrowers through such association an amount of stock in the Federal land bank equal to the amount of stock held by such borrowers in the liquidated association, such stock to be held by the bank as collateral to the loans of such borrowers and to be paid off and retired at par in the same manner as stock held by borrowers in farm loan associations, and the Federal land bank shall pay to the borrowers holding such stock the same dividends as are paid to national farm loan associations by such bank. The personal liability of the stockholders in such liquidated association to the association shall survive such liquidation and shall be vested in the bank in that district, which may enforce the same as fully as the association could if in existence. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 4, 1923, c. 252, § 311, 42 Stat. 1478.)

§ 967 **Conservator in lieu of receiver—(a) Appointment; compensation; expenses.**— § 29

Upon receiving satisfactory evidence that any national farm loan association has failed to meet its outstanding obligations of any description, and that it will be to the best interests of its creditors and stockholders for the association to continue in business, the Farm Credit Administration may, in its discretion, in lieu of appointing a receiver as provided in sections 961–966 of this title, appoint a conservator for such association and require of him such bond and security as the Administration may deem proper. The person so appointed shall be a land bank appraiser appointed under the authority of sections 651–664 of this title: *Provided, however,* That the Farm Credit Administration may, in its discretion, appoint some other qualified person. Any land bank appraiser appointed as a conservator shall serve without any additional compensation. Any other person appointed as a conservator shall receive such compensation as the Farm Credit Adminis-

§ 967 tration may authorize. Such compensation and all necessary and proper expenses of any such conservatorship shall be paid out of the assets of such association and shall be a lien thereon which shall be prior to any other lien. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.) § 29

(b) Conservation of assets; preparation of report of association's financial condition.—The conservator, under the direction of the Farm Credit Administration, may, when directed so to do, take possession of the books, records, and assets of every description of such association, and take such action as may be necessary to conserve such assets pending final determination of the financial condition of the association and the conditions under which it may be permitted to continue in business. Such conservator shall at the earliest practicable date make such investigations as shall be necessary to enable him to prepare an accurate report on the financial condition of such association. In preparing such report he shall value the association's assets and determine its indebtedness: *Provided*, That in determining said indebtedness contingent liabilities incurred by the association under the provisions of this chapter on endorsed mortgages shall be estimated and included as a debt. On the basis of said evaluation of the association's assets and indebtedness, the conservator shall determine the fair book value of the outstanding stock of said association and the claims of any retired shareholders based on their previous stock ownership. Upon its completion said report shall be submitted to the Federal land bank of the district and said bank shall thereupon indicate its approval thereof or note any exceptions thereto and submit such report together with its exceptions, if any, to the Farm Credit Administration for consideration. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

(c) Approval or disapproval of report; powers of Administration.—If said report is approved, in whole or in part, by the Farm Credit Administration, upon recommendation of the Federal land bank of the district said Administration shall then decide whether such association shall be permitted to pay off and retire its capital stock at its fair book value, upon full payment of the mortgage loans in connection with which such stock was issued originally, and to settle on the same basis the claims of any of its stockholders who have previously paid their loans in full, but have not received credit for,

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or the proceeds of their stock in such association. At the same time the Farm Credit Administration shall also decide whether it will permit said association to admit new members pursuant to section 724 of this title. If the decision of said Administration is in the affirmative, it may terminate the conservatorship and turn the affairs of the association back to its board of directors. If said report is not approved or the decision of said Administration is in the negative, it may, in its discretion, terminate the conservatorship and permit such association to resume the transaction of its business subject to such terms, conditions, restrictions, and limitations as it may prescribe for the protection of the rights of creditors and stockholders, or said Administration may appoint a receiver for the association as provided in sections 961–966 of this title. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

(d) Settlement with shareholders.—Any settlement made with a retiring or retired shareholder on the basis of the fair book value of the stock of the association pursuant to this section shall be made only on condition that said shareholder agrees to accept such settlement as payment in full. If any shareholder or former shareholder does not desire to settle on such basis, he may, in lieu thereof, be given a participation certificate which will entitle him to share pro rata, on the basis of the number of shares of stock which he owned in the association, in the distribution of any assets of the association which is made after all of its indebtedness to creditors has been satisfied. The Federal land bank of the district may pay to the association from the proceeds of bank stock retired in connection with the payment in full of loans endorsed by such association an amount sufficient to permit the association to make the settlements provided for in this section and any balance of such proceeds shall be retained by the bank and applied as a credit on the indebtedness of the association to it. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

(e) Readjustment of fair book value of under par stock.—After any determination by the Farm Credit Administration as provided in this section, that the fair book value of the stock of a national farm loan association is less than the par value thereof, periodically thereafter any increase in the fair book value of said stock resulting from earnings of the association and actual recoveries in ex-

cess of the valuations used by the Farm Credit Administration in determining the fair book value of the stock of such association, as provided in this section, shall, under rules and regulations of the Farm Credit Administration, be apportioned ratably on a per-share basis to all outstanding stock or participation certificates having a fair book value less than par until the fair book value of all such stock or participation certificates is equal to the par value thereof. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

(f) Continued losses; appointment of another conservator or receiver.—In the event that the indebtedness, as determined by the conservator, of an association which has been under conservatorship pursuant to this section increases in excess of the earnings of such association, the Farm Credit Administration may, in its discretion, again appoint a conservator for the association, or it may appoint a receiver as provided in sections 961–966 of this title. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

STATE LEGISLATION IMPAIRING SECURITY OF FARM LOANS

§ 971	Examination to ascertain adequacy of safeguards to mortgagee.—It shall be the duty of the Land Bank Commissioner to make examination of the laws of every State of the United States and to inform the Farm Credit Administration as rapidly as may be whether in his judgment the laws of each State relating to the conveying and recording of land titles, and the foreclosure of mortgages or other instruments securing loans, as well as providing homestead and other exemptions and granting the power to waive such exemptions as respects first mortgages, are such as to assure the holder thereof adequate safeguards against loss in the event of default on loans secured by any such mortgages. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)	§ 30
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“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 972	Effect of insufficient protection on mortgages covering land in State; assistance in examining laws.—Pending the making of such examination in	§ 30
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the case of any State, the Farm Credit Administration may declare first mortgages on farm lands situated within such State ineligible as the basis for an issue of farm loan bonds; and if said examination shall show that the laws of any such State afford insufficient protection to the holder of first mortgages of the kinds provided in this subchapter, said Farm Credit Administration may declare said first mortgages on land situated in such State ineligible during the continuance of the laws in question. In making his examination of the laws of the several States and forming his conclusions thereon said Land Bank Commissioner may call upon the office of the Attorney General of the United States for any needed legal advice or assistance, or may employ special counsel in any State where he considers such action necessary. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 973 **Statement to State Executive.**—At the request § 30
of the Executive of any State the Farm Credit Administration shall prepare a statement setting forth in what respects the requirements of said administration cannot be complied with under the existing laws of such State. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

PENALTIES

§ 981 **False statements in applications for loans; § 31**
willful overvaluation of land; acceptance of loan
or gratuity by examiners.—Any applicant for a loan under this subchapter, or officer or representative of any such applicant, who shall knowingly make any false statement in the application for such loan, and any member of a loan committee or any appraiser provided for in this subchapter who shall willfully overvalue any land offered as security for loans under this subchapter, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both. Any examiner appointed under this subchapter who shall accept a loan or gratuity from any land bank or national

farm loan association examined by him, or from any person connected with any such bank or association in any capacity, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as an examiner under the provisions of this subchapter. No examiner, while holding such office, shall perform any other service for compensation for any bank or banking or loan association, or for any person connected therewith in any capacity. (July 17, 1916, c. 245, § 31, 39 Stat. 382; June 3, 1935, c. 164, § 21, 49 Stat. 319.)

§ 982	Falsely making, forging, or counterfeiting bonds or coupons; passing false bonds or coupons; falsely altering.—Any person who shall falsely make, forge, or counterfeit, or cause or procure to be falsely made, forged, or counterfeited, or willingly aid or assist in falsely making, forging, or counterfeiting any bond, coupon, or paper in imitation of, or purporting to be in imitation of, the bonds or coupons issued by any land bank or national farm loan association, now or hereafter authorized and acting under the laws of the United States; or any person who shall pass, utter, or publish, or attempt to pass, utter, or publish any false, forged, or counterfeited bond, coupon, or paper purporting to be issued by any such bank or association, knowing the same to be falsely made, forged, or counterfeited; or whoever shall falsely alter, or cause or procure to be falsely altered, or shall willingly aid or assist in falsely altering any such bond, coupon, or paper, or shall pass, utter, or publish as true any falsely altered or spurious bond, coupon, or paper issued, or purporting to have been issued, by any such bank or association, knowing the same to be falsely altered or spurious, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding five years, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)	§ 31
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§ 983	Charging or receiving unauthorized fee or commission; disclosing names of borrowers.—Other than the usual salary or director's fee paid to any officer, director, or employee of a national farm loan association, a Federal land bank, or a joint stock land bank, and other than a reasonable fee	§ 31
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paid by such association or bank to any officer, director, attorney, or employee for services rendered, no officer, director, attorney, or employee of an association or bank organized under this subchapter shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of such association or bank. No land bank or national farm loan association organized under this subchapter shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized. No examiner, public or private, shall disclose the names of borrowers to other than the proper officers of a national farm loan association or land bank without first having obtained express permission in writing from the Land Bank Commissioner or from the board of directors of such association or bank, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress or of either House duly authorized. Any person violating any provision of this paragraph shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

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Fraud and embezzlement.—Any person connected in any capacity with any national farm loan association, Federal land bank, or joint stock land bank, who embezzles, abstracts, or willfully misapplies any moneys, funds, or credits thereof, or who without authority from the directors draws any order, assigns any note, bond, draft, mortgage, judgment, or decree thereof, or who makes any false entry in any book, report, or statement of such association or land bank with intent in either case to defraud such institution or any other company, body politic or corporate, or any individual person, or to deceive any officer of a national farm loan association or land bank or any agent appointed to examine into the affairs of any such association or bank, and every person who with like intent aids or abets any officer, clerk, or agent in any violation of this section, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding five years, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

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§ 985 **False pretenses as to character of bonds or coupons.**—Any person who shall deceive, defraud, or impose upon, or who shall attempt to deceive, defraud, or impose upon, any person, firm, or corporation by making any false pretense or representation regarding the character, issue, security, or terms of any farm loan bond, or coupon, issued under the terms of this subchapter; or by falsely pretending or representing that any farm loan bond, or coupon, issued under the terms of this subchapter by one class of land banks is a farm loan bond, or coupon, issued by another class of banks; or by falsely pretending or representing that any farm loan bond, or coupon, issued under the terms of this subchapter, or anything contained in said farm loan bond, or coupon, is anything other than, or different from, what it purports to be on the face of said bond or coupon, shall be fined not exceeding \$500 or imprisoned not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.) § 31

The following acts constitute misdemeanors, and the commission of any such acts subjects any person to fine or imprisonment, under the provisions of an Act of May 24, 1926, which are included in §§ 584–588 of chapter 5 of Title 12 [U. S. Code]: For any bank, banking association, trust company, corporation, association, firm, partnership, or person not organized under the provisions of chapter 7 of Title 12 [U. S. Code] to advertise or represent that it makes Federal farm loans or advertise or offer for sale as Federal farm loan bonds any bond not issued under the provisions of chapter 7 of Title 12 [U. S. Code], or make any use of the word “Federal” or the words “United States,” or any other word or words implying governmental ownership, obligation, or supervision in advertising or offering for sale any bond, note, mortgage, or other security not issued by the Government of the United States or under the provisions of said chapter 7, or some other Act of Congress.

§ 986 **Detection and arrest of violators.**—The Secretary of the Treasury is hereby authorized to direct and use the Secret Service Division of the Treasury Department to detect, arrest, and deliver into custody of the United States marshal having jurisdiction, any person or persons violating any of the provisions of sections 981–987. (July 17, 1916, c. 245, § 31, 39 Stat. 382.) § 31

§ 987 **False statements by mortgagee relating to sale of mortgage to Federal land bank; overvaluation of land securing such mortgage.**—Any mortgagee who shall knowingly make any false statement in any paper, proposal, or letter, relating to the sale of any mortgage, to any Federal land bank under the provisions of section 781 of this title, or any appraiser provided for in this subchapter § 31

who shall willfully overvalue any land securing such mortgage, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382; June 16, 1933, c. 98, § 78, 48 Stat. 272.)

GOVERNMENT DEPOSITS IN LAND BANKS

§ 991 **Interest rate; security; maximum amount.—** § 32

The Secretary of the Treasury is authorized, in his discretion, upon the request of the Farm Credit Administration, to make deposits for the temporary use of any Federal land bank, out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the Treasury a certificate of indebtedness for any such deposit, bearing a rate of interest not to exceed the current rate charged for other Government deposits, to be secured by farm loan bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the discretion of the Secretary of the Treasury. The aggregate of all sums so deposited by the Secretary of the Treasury shall not exceed the sum of \$6,000,000 at any one time. (July 17, 1916, c. 245, § 32, 39 Stat. 384; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Federal land banks as depositaries of public money, see § 701 of this title.

§ 992 **Government guaranty of interest on qualified** § 32

Federal land bank bonds issued during limited period; use of proceeds of such bonds; limitation on aggregate amount of such bonds; payment of interest by Government upon inability of issuing bank; rights of Government after such payment.—Until such time as the Land Bank Commissioner determines that Federal farm loan bonds (other than those issued under this paragraph) are readily salable in the open market at a yield not in excess of 4 per centum per annum, but in no case more than two years after May 12, 1933, Federal land banks may issue farm loan bonds as authorized under this subchapter, for the purpose of making new loans, or for purchasing mortgages or exchanging bonds for mortgages as provided in paragraph “Second” of section 781 of this title.

The aggregate amount of the bonds issued under this paragraph shall not exceed \$2,000,000,000, and such bonds shall be issued in such denominations as the Land Bank Commissioner shall prescribe, shall bear interest at a rate not in excess of 4 per centum per annum, and shall be fully and unconditionally guaranteed as to interest by the United States, and such guaranty shall be expressed on the face thereof. In the event that it shall appear to the Land Bank Commissioner that the issuing bank or banks will be unable to pay upon demand, when due, the interest on any such bonds, the Secretary of the Treasury shall, upon the request of the Commissioner, pay the amount thereof, which is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated. Upon the payment of such interest by the Secretary of the Treasury the amount so paid shall become an obligation to the United States of the issuing bank or banks and shall bear interest at the same rate as that borne by the bonds upon which the interest has been so paid. After the expiration of one year from May 12, 1933, if in the opinion of the Land Bank Commissioner any part of the proceeds of the bonds authorized to be issued under this paragraph is not required for the purpose of making new loans or for purchasing mortgages or exchanging bonds for mortgages as herein provided, such bonds may be issued within the maximum limit herein specified for the purpose of refinancing any outstanding issues of Federal farm loan bonds; but no such bonds shall be issued after two years from May 12, 1933, for the purpose of such refinancing. (July 17, 1916, c. 245, § 32, 39 Stat. 384; May 12, 1933, c. 25, § 21, 48 Stat. 41; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

Limitation on issuance of bonds under this section, see § 992a of this title.

§ 992a **Limitation of section 992.**—After ninety days after January 31, 1934, no Federal land bank shall issue any bonds under the provisions of section 992 of this title, subject to the guarantee of interest on such bonds by the United States except for the purpose of refinancing any bond which is or has been issued subject to such guarantee of interest. (Jan. 31, 1934, c. 7, § 5, 48 Stat. 346.)

§ 993 **Bonds issued under section 992; delivery in payment of certain mortgages.**—Any borrower

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who obtains a loan from a Federal land bank after May 12, 1933, may, at any time after the expiration of five years from the date such loan was made, tender to such bank on any regular installment date, bonds issued under section 992 of this title in an amount not to exceed the unpaid principal of his loan, and the bonds so tendered shall be accepted by the bank at par in payment of any part of such unpaid principal. (July 17, 1916, c. 245, § 32, 39 Stat. 384; May 12, 1933, c. 25, § 21, 48 Stat. 41.)

ORGANIZATION EXPENSES

- § 1001 **Appropriation for expenses.**—The sum of \$100,000, or so much thereof as may be necessary, is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to be expended under the direction of the Farm Credit Administration, for the purpose of carrying into effect the provisions of this chapter, including the rent and equipment of necessary offices. (July 17, 1916, c. 245, § 33, 39 Stat. 384; Mar. 27, 1933, Ex. Or. 6084.) § 33

LIMITATION OF COURT DECISIONS

- § 1011 **Limitation of court decisions respecting validity of provisions.**—If any clause, sentence, paragraph, or part of this subchapter or of subchapter III hereof shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said subchapters, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered. (July 17, 1916, c. 245, § 34, 39 Stat. 384.) § 34

AMENDMENTS TO CHAPTER

- § 1012 **Reservation of right to amend.**—The right to amend, alter, or repeal this subchapter or subchapter III of this chapter is hereby expressly reserved. (July 17, 1916, c. 245, § 35, 39 Stat. 384.) § 35

SUBCHAPTER II—LOANS TO FARMERS BY LAND BANK COMMISSIONER

§ 1016 **Loans to farmers by Land Bank Commissioner; provisions governing—(a) Funds available to Commissioner; security for Commissioner's loans.**—The Reconstruction Finance Corporation is authorized and directed to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans as hereinafter provided to any farmer, secured by a first or second mortgage upon the whole or any part of the farm property, real or personal, including crops, of the farmer. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(b) Maximum loan; value of security for loan; valuation of farm property.—The amount of the mortgage given by any farmer, together with all prior mortgages or other evidences of indebtedness secured by such farm property of the farmer, shall not exceed 75 per centum of the normal value thereof, as determined upon an appraisal made pursuant to the preceding subchapter; nor shall a loan in excess of \$7,500, be made to any one farmer. For the purposes of this section, farm property may be valued at an amount representing a prudent investment, consistent with community standards and rentals, if (1) the person occupying the property is not entirely dependent upon farm income for his livelihood but receives a part of his income from other dependable sources, and (2) the farm income from the property, together with earnings from other dependable sources ordinarily available in the community to a person operating such property, would be sufficient to support his family, to pay operating expenses and fixed charges, and to discharge the interest and amortization payments on the loan. (May 12, 1933, c. 25, § 32, 48 Stat. 48; Jan. 31, 1934, c. 7, § 10, 48 Stat. 347; May 28, 1935, c. 150, § 32, 49 Stat. 300.)

(c) Provisions to be included in mortgage; interest rate; repayment of principal in installments; maximum terms of loans as affected by character of security; privilege of deferring principal payments during first three years of loan.—Every mortgage made under this section shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual install-

§ 1016 ments, sufficient to cover (1) interest on unpaid principal at a rate not to exceed 5 per centum per annum and (2) such payments equal in amount to be applied on principal as will extinguish the debt within an agreed period of not more than ten years or, in the case of a first or second mortgage secured wholly by real property within an agreed period no greater than that for which loans may be made under the preceding subchapter, from the date the first payment on principal is due: *Provided*, That when in the judgment of the Land Bank Commissioner conditions justify it, any mortgage made under this section may provide that during the first three years the loan is in effect payments of interest only may be required if the borrower shall not be in default with respect to any other condition or covenant of his mortgage. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 3, 1935, c. 164, § 2 (a), 49 Stat. 313; Aug. 19, 1937, c. 704, § 14, 50 Stat. 708.)

(d) Requirement of waiver by prior lien holder.—No loan shall be made under this section unless the holder of any prior mortgage or instrument of indebtedness secured by such farm property arranges to the satisfaction of the Land Bank Commissioner to limit his right to proceed against the farmer and such farm property for default in payment of principal. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(e) Purposes of loans.—Loans may be made under this section for any of the purposes for which Federal land banks are authorized by law to make loans, and for the following additional purpose, and none other: Refinancing, in connection with proceedings under chapter 8 of Title 11 [U. S. Code], as amended, any indebtedness, secured or unsecured, of the farmer, or which is secured by a lien on all or any part of the farm property accepted as security for the loan. The provisions of paragraph "Ninth" of section 781 of this title (relating to charges to applicants for loans and borrowers from the Federal land banks), shall, so far as practicable, apply to loans made under this section. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 11, 1934, c. 446, 48 Stat. 929; June 3, 1935, c. 164, § 2 (b), 49 Stat. 313; Aug. 19, 1937, c. 704, § 13, 50 Stat. 708.)

(f) Definitions; loans to corporations; exceptions.—As used in this section, (1) the term "farmer" means any person who is at the time, or shortly to become, bona fide engaged in farming operations, either personally or through an agent or tenant, or

§ 1016 the principal part of whose income is derived from farming operations or livestock raising, and includes a personal representative of a deceased farmer; (2) the term "person" includes an individual or a corporation engaged in the raising of livestock; and (3) the term "corporation" includes any incorporated association; but no such loan shall be made to a corporation (A) unless all the stock of the corporation is owned by individuals themselves personally actually engaged in the raising of livestock on the land to be mortgaged as security for the loan, except in a case where the Land Bank Commissioner permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 3, 1935, c. 164, § 2 (c), 49 Stat. 313.)

(g) Loans by Commissioner on behalf of Federal Farm Mortgage Corporation; loans in cash or bonds; amount available.—Until February 1, 1940, the Land Bank Commissioner shall, in his name, make loans under this section on behalf of the Federal Farm Mortgage Corporation, and may make such loans in cash or in bonds of the corporation, or if acceptable to the borrower, in consolidated farm loan bonds; but no such loans shall be made by him after February 1, 1940, except for the purpose of refinancing loans previously made by him under this section. As much as may be necessary of the assets of the corporation, including the bonds (and proceeds thereof) issued under section 1020c of this title, may be used for the purposes of this section. (May 12, 1933, c. 25, § 32, 48 Stat. 48; Jan. 31, 1934, c. 7, § 9, 48 Stat. 347; June 3, 1935, c. 164, § 2 (d), 49 Stat. 314.)

(h) Execution of instruments by Federal land banks; presumption of authority.—Any Federal land bank, when duly authorized by the Land Bank Commissioner and the Federal Farm Mortgage Corporation, shall have the power to execute any instrument relating to any mortgage taken to secure a loan made or to be made under this section, or relating to any property included in any such mortgage, or

relating to any property acquired by the Land Bank Commissioner and/or the Federal Farm Mortgage Corporation. Any such instrument heretofore or hereafter executed on behalf of the Land Bank Commissioner and/or the Federal Farm Mortgage Corporation by a Federal land bank, through its duly authorized officers, shall be conclusively presumed to have been duly authorized by the Land Bank Commissioner and the Federal Farm Mortgage Corporation. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 3, 1935, c. 164, § 2 (e), 49 Stat. 314.)

(i) Rate of interest payable on certain installment dates.—Notwithstanding the foregoing provisions of this section, the rate of interest on loans made under this section shall not exceed 4 per centum per annum for all interest payable on installment dates occurring on or after July 22, 1937, and prior to July 1, 1940. (May 12, 1933, c. 25, § 32, 48 Stat. 48; July 22, 1937, c. 516, § 2, 50 Stat. 521; June 16, 1938, c. 462, § 2, 52 Stat. 709.)

Amount of capital subscribed by United States, see § 1020b of this title.

In connection with Commissioner's loans in Puerto Rico, see note * to § 672 of this title.

Commissioner loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this title.

§ 1017 **Rules and regulations; appointment, employment, and compensation of officers, employees, and agents.**—The Land Bank Commissioner is authorized to make such rules and regulations, and to appoint, employ, and fix the compensation of such officers, employees, attorneys, and agents as may be necessary to carry out the purposes of this subchapter and to make the relief contemplated by this subchapter immediately available, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States: *Provided*, That no salary or compensation in excess of \$10,000 shall be paid to any person employed under the terms of the foregoing section. (May 12, 1933, c. 25, § 33, 48 Stat. 49; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 1018 **Facilities of Federal land banks and national farm loan associations available to Commissioner.**—The Federal land banks and the national farm loan associations are authorized, upon request of the Land Bank Commissioner, to make available to him their services and facilities to aid in adminis-

tering the provisions of this subchapter. (May 12, 1933, c. 25, § 34, 48 Stat. 49; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 1019 Penalties for false representation in obtaining loan.—Any person who shall knowingly make any material false representation for the purpose of obtaining any loan under this subchapter, or in assisting in obtaining any such loan, shall, upon conviction thereof, be fined not more than \$1,000, or imprisoned not more than six months, or both. (May 12, 1933, c. 25, § 35, 48 Stat. 49.)

SUBCHAPTER II-A.—FEDERAL FARM MORTGAGE CORPORATION

§ 1020 Establishment of corporation; directors; by-laws; regulations; officers and employees.—There is hereby established a corporation to be known as the “Federal Farm Mortgage Corporation”, in this subchapter referred to as the “corporation.” The principal office of the corporation shall be located in the District of Columbia and the management of the corporation shall be vested in a board of directors consisting of the Secretary of the Treasury, or an officer of the Treasury designated by him, the Governor of the Farm Credit Administration, in this subchapter referred to as the “Governor”, and the Land Bank Commissioner. The directors shall receive no additional compensation for their services as directors of the corporation, but may be allowed actual necessary traveling and subsistence expenses when engaged in the business of the corporation outside of the District of Columbia. The Governor shall be the chairman of the board of directors. The directors shall have power to adopt such bylaws, rules, regulations, and amendments thereto as they deem necessary for the conduct of the business of the corporation authorized under this subchapter. The directors shall have power, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States, to employ and fix the compensation and duties of such agents, officers, and employees of the corporation as may be necessary to carry out the powers and duties conferred upon the corporation by this subchapter, to require

bonds of them and fix the penalties thereof and dismiss them at pleasure, and to prescribe the manner in which the obligations of the corporation shall be incurred and its expenses allowed and paid, but the rates of compensation of such agents, officers, and employees of the corporation shall not exceed the rates of compensation prescribed for comparable duties by chapter 13 of Title 5 [U. S. Code]. (Jan. 31, 1934, c. 7, § 1, 48 Stat. 344.)

§ 1020a **Period of succession; powers; free use of mails; use of Government facilities.**—The corporation shall have succession until dissolved by Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, and to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of its business; and shall have such other powers as may be necessary and incident to carrying out its powers and duties under this subchapter. The corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The corporation, with the consent of any board, commission, independent establishment, or executive department of the Government, may avail itself of the use of information, services, facilities, officers, agents, and employees thereof, in carrying out the provisions of this subchapter. (Jan. 31, 1934, c. 7, § 2, 48 Stat. 345.)

Authorization of Federal Farm Mortgage Corporation to act as fiscal agent of the United States, see § 1138b of this title.

Penalty provisions applicable to transactions of Federal Farm Mortgage Corporation, see § 1138d of this title.

§ 1020b **Capital; amount; subscription by United States.**—The capital of the corporation shall be in the sum of \$200,000,000, which shall be subscribed by the Governor on behalf of the United States in such amounts and at such times as he deems necessary for the purposes of the corporation. For the purpose of such capital subscription, the funds and proceeds thereof made available to the Land Bank Commissioner under section 1016 of this title and the mortgages taken by the Commissioner and the credit instruments secured thereby are hereby transferred to the corporation. (Jan. 31, 1934, c. 7, § 3, 48 Stat. 345.)

§ 1020c **Bonds, aggregate amount; guaranty by United States; purchase and sale of by United States; exchange of for consolidated farm loan bonds.—**

With the approval of the Secretary of the Treasury, the corporation is authorized to issue and have outstanding at any one time bonds in an aggregate amount not exceeding \$2,000,000,000. Such bonds shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices, as may be prescribed by the corporation, with the approval of the Secretary of the Treasury. Such bonds shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof, and such bonds shall be lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In the event that the corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such bonds, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such bonds. The Secretary of the Treasury, in his discretion, is authorized to purchase any bonds of the corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities hereafter issued under sections 747, 752–754, 757, 758, 760, 764–766, 769, 771, 773, 774 (2), and 801 of Title 31 [U. S. Code], and the purposes for which securities may be issued under such sections are extended to include any purchases of the corporation's bonds hereunder. The Secretary of the Treasury may, at any time, sell any of the bonds of the corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the bonds of the corporation shall be treated as public debt transactions of the United States. No such bonds shall be issued in excess of the assets of the corporation, including the assets to be obtained from the proceeds of such bonds, but a failure to comply with this provision shall not invalidate the bonds or the guaranty of the

same. The corporation shall have power to purchase such bonds in the open market at any time and at any price. On such terms and conditions as may be agreed upon, the corporation may exchange such bonds, upon application of any Federal land bank for consolidated farm loan bonds of equal face value issued under subchapter I of this chapter, and may exchange such consolidated farm loan bonds held by it for bonds of the corporation of equal face value. (Jan. 31, 1934, c. 7, § 4 (a), 48 Stat. 345; April 27, 1934, c. 168, § 14, 48 Stat. 647.)

§ 1020d **Purchase of consolidated farm loan bonds; loans to Federal and joint stock land banks; investment in mortgages; extensions.**—The corporation is further authorized to purchase from time to time, for cash, such consolidated farm loan bonds at such prices and upon such terms as may be approved by the board of directors of the corporation; to make loans to Federal land banks and joint stock land banks on the security of real estate mortgages, sheriff's certificates, sales contracts and real estate, upon such terms and conditions as shall be prescribed by the board of directors of the corporation: *Provided, however,* That loans outstanding to joint stock land banks under this section shall not at any one time exceed in the aggregate \$10,000,000; to make loans to Federal land banks on the security of consolidated farm loan bonds; and to invest its funds in mortgage loans made under section 1016 of this title.

When in the judgment of the directors conditions justify it, the corporation shall have power to extend, in whole or in part, any unpaid obligation under the terms of any mortgage, and to accept payment of any such obligation together with interest thereon, at a rate not exceeding 5 per centum per annum, during such period and in such amounts as may be agreed upon at the date of making such extension. (Jan. 31, 1934, c. 7, § 4 (b), 48 Stat. 346; Aug. 19, 1937, c. 704, §§ 2, 4, 50 Stat. 703.)

§ 1020e **Preparation of bonds.**—In order to furnish bonds for delivery by the Federal Farm Mortgage Corporation, the Secretary of the Treasury is hereby authorized to prepare suitable bonds in such form, subject to the provisions of this subchapter, as the board of directors may approve, such bonds when prepared to be held in the Treasury subject to

delivery upon order of the corporation. The engraved plates, dies, bedpieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The corporation shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such bonds. (Jan. 31, 1934, c. 7, § 4 (c), 48 Stat. 346.)

§ 1020f Exemptions from taxation.—(a) The corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(b) Mortgages executed to the Land Bank Commissioner and mortgages held by the corporation, and the credit instruments secured thereby, and bonds issued by the corporation under the provisions of this subchapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation (except surtaxes, estate, inheritance, and gift taxes). (Jan. 31, 1934, c. 7, § 12, 48 Stat. 347; Feb. 26, 1934, c. 33, 48 Stat. 360.)

§ 1020g Severability clause; reservation of right to amend.—(a) If any provision of this subchapter, or the application thereof to any person or circumstances, is held invalid, the remainder of the subchapter, and the application of such provision to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this subchapter is hereby expressly reserved. (Jan. 31, 1934, c. 7, § 17, 48 Stat. 348.)

§ 1020h Citation of subchapter.—This subchapter may be cited as the “Federal Farm Mortgage Corporation Act”. (Jan. 31, 1934, c. 7, § 18, 48 Stat. 349.)

SUBCHAPTER II-B.—LOANS TO FARMERS BY GOVERNOR OF FARM CREDIT AD- MINISTRATION

§ 1020i **Loans to farmers by Governor of Farm Credit Administration; purposes.**—The Governor of the Farm Credit Administration, hereinafter in this subchapter referred to as the Governor, is hereby authorized to make loans to farmers in the United States (including Hawaii and Puerto Rico), for fallowing, for planting, for cultivation, for production of crops, for harvesting of crops, for supplies incident and necessary to such production or harvesting, and for feed for livestock, or for any of such purposes. Such loans shall be made and collected through such agencies, upon such terms and conditions, and subject to such regulations, as the Governor may prescribe. (Jan. 29, 1937, c. 7, § 1, 50 Stat. 5.)

The Act of Jan. 29, 1937, c. 7, 50 Stat. 5, was entitled "An Act to provide for loans to farmers for crop production and harvesting during the year 1937, and for other purposes."

The First Deficiency Appropriation Act, fiscal year 1937, approved February 9, 1937, c. 9, 50 Stat. 8, contained, under the heading "Farm Credit Administration," the following provision: "Crop production and harvesting loans: To enable the Governor of the Farm Credit Administration to carry into effect the provisions of the Act entitled 'An Act to provide for loans to farmers for crop production and harvesting during the year 1937, and for other purposes,' approved January 29, 1937, including personal services and rent in the District of Columbia and elsewhere; traveling expenses; paper, printing, and binding; supplies and services without regard to section 3709 of the Revised Statutes (U. S. C., title 41, sec. 5) when the aggregate involved does not exceed \$50, and such other expenses as may be necessary, fiscal year 1937, to remain available until June 30, 1938. \$50,000,000."

The Act of February 4, 1938, c. 14, 52 Stat. 26 [Public Resolution No. 78—75th Congress], contained the following provision: "Crop production and harvesting loans: That the appropriation for crop loans made under the heading 'Farm Credit Administration' by the First Deficiency Appropriation Act, fiscal year 1937, together with all collections heretofore or hereafter made under the Act of January 29, 1937, of the character specified in section 7 (b) of such Act, shall be available until June 30, 1939, for making and collecting crop production and harvesting loans under such Act of January 29, 1937, regardless of any limitation to the calendar year 1937 or the fiscal year 1938 in such appropriation or such Act: *Provided*, That loans under the foregoing appropriation shall only be made to borrowers, who, in the opinion of the Governor of the Farm Credit Administration, will undertake in good faith to repay such loans in accordance with their terms, and no such loan shall be made in any State unless the Governor of the Farm Credit Administration has reasonable assurance that State and local authority will take no action which will encourage the borrower residing therein to evade payment of such obligation."

§ 1020j **Persons entitled; security; limitation on amount; interest.**—(a) No loan shall be made under this subchapter to any applicant who shall not have first established to the satisfaction of the proper officer or employee of the Farm Credit Administration, under such regulations as the Governor may prescribe, that such applicant is unable

to procure from other sources a loan in an amount reasonably adequate to meet his needs for the purposes for which loans may be made under this subchapter; and preference shall be given to the applications of farmers whose cash requirements are small.

(b) There shall be required as security for any such loan a first lien, or an agreement to give a first lien, upon all crops of which the production or harvesting, or both, is to be financed, in whole or in part, with the proceeds of such loan; or, in case of any loan, for the purchase or production of feed for livestock, a first lien upon the livestock to be fed.

(c) No loan made under the provisions of this subchapter to any borrower shall exceed \$400, nor shall a loan be so made in any calendar year which, together with the unpaid principal of prior loans so made to such borrower in that year, shall exceed \$400 in amount: *Provided, however,* That in any area certified by the President of the United States to the Governor as a distressed emergency area, the Governor may make loans without regard to the foregoing limitations as to amount, under such regulations, with such maturities, and in such amounts as he may prescribe.

(d) Each loan shall bear interest at the rate of 4 per centum per anum. (Jan. 29, 1937, c. 7, § 2, 50 Stat. 6.)

§ 1020k **Use of loan, purposes; exemption from execution, etc.**—The proceeds of each loan made by the Governor under the provisions of this subchapter shall be impressed with a trust for the purposes for which loans may be made under this subchapter, and may be used only for the purposes stated in the application therefor, and such trust shall continue, and the proceeds shall be free from garnishment, attachment, or the levy of an execution, until such proceeds have been used by the borrower for such purposes. (Jan. 29, 1937, c. 7, § 3, 50 Stat. 6.)

§ 1020l **Fees for making loans and releasing liens.**—(a) Fees for recording, filing, registration, and examination of records (including certificates) shall not exceed 75 cents per loan, and may be paid from the proceeds of the loan.

(b) No fees for releasing liens given to secure loans made pursuant to this subchapter, nor any

other fee not specified herein, shall be paid from the funds herein authorized to be appropriated. (Jan. 29, 1937, c. 7, § 4, 50 Stat. 6.)

§ 1020m **Officers and employees; appointment and compensation; use by other institutions; use of employees of other institutions.**—(a) The Governor shall have power, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States, to employ and fix the compensation and duties of such agents, officers, and employees as may be necessary to carry out the purposes of this subchapter; but the compensation of such officers and employees shall correspond, so far as the Governor deems practicable, to the rates established by sections 661–674 of Title 5 [U. S. Code].

(b) Such agents, officers, and employees, or any of them, and the agents, officers, employees, and facilities of the Farm Credit Administration available for use in connection with loans made under the provisions of this subchapter or of prior crop production, seed, and feed loan Acts of the same general character, may be used by the Governor to perform services for any institution operating under the supervision of the Farm Credit Administration, upon such terms and conditions as the Governor may determine; and such institutions are hereby expressly empowered to enter into agreements with the Governor for such purpose.

(c) For the purpose of carrying out the provisions of this subchapter, and for collecting loans made under other Acts of the same general character, including loans made by the Governor with funds appropriated by the Emergency Appropriation Act, fiscal year 1935 (Act June 19, 1934, c. 648, Title II, 48 Stat. 1055), or the Emergency Relief Appropriation Act of 1935 (Act April 8, 1935, c. 48, 49 Stat. 115), the Governor is authorized also to use the facilities and services of any agency or corporation operating under the supervision of the Farm Credit Administration, and of any officer or employee of any such agency or institution, or of the Farm Credit Administration, and may pay for such services and the use of such facilities from the funds made available for the payment of necessary administrative expenses, and such agencies and institutions are hereby expressly empowered to enter into agreements with the Governor for the accomplish-

ment of such purposes and to perform the services provided for therein. (Jan. 29, 1937, c. 7, § 5, 50 Stat. 6.)

§ 1020n **Unlawful use of loans; false representations; accepting fee for securing loans; penalties.—**

(a) Except with the written permission of the Governor or his duly authorized representative, it shall be unlawful for any borrower to willfully use the proceeds of any loan:

(1) For any purpose other than those specified in the application therefor; or

(2) For the purpose of fallowing, or for the planting, production, or harvesting of any crops on, any land other than that described in his application for such loan.

(b) It shall be unlawful for any person to make any material false representation for the purpose of obtaining, or assisting another to obtain, a loan under the provisions of this subchapter; or willfully to dispose of, or assist in disposing of, except for the account of the Governor, any crops or other property upon which there exists a lien securing a loan made under the provisions of this subchapter.

(c) It shall be unlawful for any person to charge or accept a fee for preparing or assisting in the preparation of any papers of an applicant for a loan under the provisions of this subchapter.

(d) Any person violating any provision of this section of this subchapter shall, upon conviction thereof, be punished by a fine of not more than \$1,000, or by imprisonment for not more than six months, or both. (Jan. 29, 1937, c. 7, § 6, 50 Stat. 7.)

§ 1020o **Appropriation; expenditures for printing and binding.—**(a) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$50,000,000 for the purpose of enabling the Governor to carry out the provisions of this subchapter.

(b) The moneys appropriated in pursuance of subsection (a) of this section, any amounts collected for services rendered under section 1020m (b), and all collections of principal and interest of loans made under this subchapter may be used by the Governor for making loans under this subchapter, and for all necessary administrative expenses incurred in connection with the making and collection of such loans.

(c) Expenditures for printing and binding necessary in carrying out the provisions of this subchapter may be made without regard to the provisions of section 5 of title 41 [U. S. Code]. (Jan. 29, 1937, c. 7, § 7, 50 Stat. 7.)

SUBCHAPTER III—FEDERAL INTERMEDIATE CREDIT BANKS

HISTORICAL NOTE

The provisions of this subchapter relative to Federal intermediate credit banks constitute Title II of the "Federal Farm Loan Act" (July 17, 1916, chapter 245, Thirty-ninth Statutes, page 360). See section 641 of this chapter. This Act was amended on March 4, 1923 (chapter 252, Forty-second Statutes, page 1454), by the addition of a second title relative to Federal intermediate credit banks, the provisions of which, as amended, are included in this subchapter. The office of Intermediate Credit Commissioner was created by the act of June 16, 1933. (See section 638, under "Introductory," at the beginning of this chapter.)

ORGANIZATION

§ 1021 **Number, names, and charters of banks.**—The § 201(a) Farm Credit Administration shall have power to grant charters for twelve institutions to be known and styled as "Federal Intermediate Credit Banks." (July 17, 1916, c. 245, § 201 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1022 **Location; directors; officers and employees.**—§ 201(b) One such institution shall be established in each farm credit district in the same city as the Federal land bank of the district. The members of the several farm credit boards of the farm credit districts provided for in section 640a of this title shall be ex officio the directors of the several Federal intermediate credit banks provided for in this subchapter and shall have power, subject to the approval of the Farm Credit Administration, to employ and fix the compensation of such officers and employees of such Federal intermediate credit banks as may be necessary to carry on the business authorized by this subchapter. (July 17, 1916, c. 245, § 201 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; June 16, 1933, c. 98, § 76 (a), 48 Stat. 271; Aug. 19, 1937, c. 704, § 10, 50 Stat. 707.)

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Federal intermediate credit bank, see § 640i of this title.

§ 1023 **Corporate powers; suits by or against.**—Each § 201 (c) Federal intermediate credit bank shall have all the usual powers of corporations, and shall have power to sue and be sued both in law and equity, and for purposes of jurisdiction shall be deemed a citizen of the State where it is located. Each Federal intermediate credit bank shall have power to acquire and dispose of such property, real or personal, as may be necessary or convenient for the transaction of its business, which, however, may be leased to others for revenue purposes. (July 17, 1916, c. 245, § 201 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Aug. 19, 1937, c. 704, § 26, 50 Stat. 715.)

§ 1024 **Fiscal agents for United States.**—Federal in- § 201 (d) termediate credit banks, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and perform such duties as shall be prescribed by the Secretary of the Treasury. (July 17, 1916, c. 245, § 201 (d); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454.)

§ 1025 **Insolvency; receivership.**—Upon default of any § 201 (e) obligation any Federal intermediate credit bank may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961–966 of this title regarding national farm loan associations. (July 17, 1916, c. 245, § 201 (e); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1026 **Application for charter.**—The charters to such § 201 (f) Federal intermediate credit banks shall be granted upon application of the directors of the Federal land banks, which application shall be in such form as the Farm Credit Administration shall prescribe. (July 17, 1916, c. 245, § 201 (f); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

DISCOUNTS AND LOANS

§ 1031 **Lending powers; purchase and sale of debentures of intermediate credit banks; loans to co-** § 202(a)

operative associations. — Federal intermediate credit banks, when chartered and established, shall have power, subject solely to such restrictions, limitations, and conditions as may be imposed by the Farm Credit Administration not inconsistent with the provisions of this subchapter—

(1) To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank, credit union, cooperative association of agricultural producers, organized under the laws of any State or of the Government of the United States, and/or any other Federal intermediate credit bank, with its indorsement, any note, draft, bill of exchange, debenture, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of livestock; and to make loans or advances direct to any such organization, secured by such obligations; and to discount for, or purchase from, any production credit association or bank for cooperatives organized under subchapters IV and V of this chapter, or any production credit association in which a Production Credit Corporation organized under such subchapter IV holds stock, with its indorsement, any note, draft, bill of exchange, debenture, or other such obligation presented by such association or bank, and to make loans and advances direct to any such association or bank secured by such collateral as may be approved by the Governor of the Farm Credit Administration;

(2) To buy or sell, with or without recourse, debentures issued by any other Federal intermediate credit bank; and

(3) To make loans or advances direct to any cooperative association organized under the laws of any State and composed of persons engaged in producing, or producing and marketing, staple agricultural products, or livestock, if the notes or other such obligations representing such loans are secured by warehouse receipts, and/or shipping documents covering such products, and/or mortgages on livestock, and/or such other collateral as may be approved by the Governor of the Farm Credit Administration: *Provided*, That no such loan or advance, when secured only by warehouse receipts and/or

shipping documents, and/or mortgages on livestock, shall exceed 75 per centum of the market value of the products covered by said warehouse receipts and/or shipping documents, or of the livestock covered by said mortgages; and to accept drafts or bills of exchange issued or drawn by any such association when secured by warehouse receipts and/or shipping documents covering staple agricultural products as herein provided, at such rates of commission as may be approved by the Governor of the Farm Credit Administration. (July 17, 1916, c. 245, § 202 (a); Mar. 4 1923, c. 252, § 2, 42 Stat. 1455; Mar. 4, 1925, c. 524, § 7, 43 Stat. 1264; June 26, 1930, c. 616, § 1, 46 Stat. 816; May 19, 1932, c. 191, § 1, 47 Stat. 159; June 16, 1933, c. 98, § 76 (b), (c), 48 Stat. 271; Mar. 27, 1933, Ex. Or. 6084; June 3, 1935, c. 164, § 5 (a), (b), 49 Stat. 315.)

“Farm Credit Administration,” mentioned in the text the first and third times, was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1032 **Purchase or discount of paper from or for § 202(b) national banks, State banks, trust companies, savings institutions, or corporations making loans for agricultural or livestock purposes; limitations upon amount.**—No paper shall be purchased from or discounted for any national bank, State bank, trust company, or savings institution under section 1031, if the amount of such paper added to the aggregate liabilities of such national bank, State bank, trust company, or savings institution, whether direct or contingent (other than bona fide deposit liabilities), exceeds the amount of such liability permitted under the laws of the jurisdiction creating the same; or exceeds twice the paid in and unimpaired capital and surplus of such national bank, State bank, trust company, or savings institution. No paper shall under section 1031 be purchased from or discounted for any other corporation engaged in making loans for agricultural purposes or for the raising, breeding, fattening, or marketing of livestock, if the amount of such paper added to the aggregate liabilities of such corporation exceeds the amount of such liabilities permitted under the laws of the jurisdiction creating the same; or exceeds ten times the paid in and unimpaired capital and surplus of such corporation. It shall be unlawful for any national bank which is indebted to any Federal intermediate credit bank upon paper discounted or purchased under section

1031, to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities, direct or contingent, will exceed the limitations herein contained. (July 17, 1916, c. 245, § 202 (b) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1455.)

§ 1033 **Maturity and sale of loans, advances, or discounts.**—Loans, advances, or discounts made under section 1031 shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not more than three years. Any Federal intermediate credit bank may in its discretion sell loans or discounts made under section 1031, with or without its indorsement. (July 17, 1916, c. 245, § 202 (c) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1455 ; June 26, 1930, c. 616, § 2, 46 Stat. 816.)

ISSUE OF DEBENTURES

§ 1040 **“Debentures” defined.**—The terms “debenture” and “debentures”, when used in any Act of Congress, whenever enacted, except the Federal Farm Loan Act [July 17, 1916, c. 245, 39 Stat. 360]*, relating to the purchase, sale, or use as security, of debentures issued by or for the benefit and account of any Federal intermediate credit bank or banks, shall be deemed to mean debentures issued by any such bank individually and consolidated debentures issued by such banks acting together. (Aug. 19, 1937, c. 704, § 39, 50 Stat. 718.)

§ 1041 **Collateral trust debentures or similar obligations; security for; maturity; limitation respecting amount.**—Federal intermediate credit banks shall have power, subject to the approval of the Farm Credit Administration, to borrow money and to issue and to sell collateral trust debentures or other similar obligations with a maturity at the time of issue of not more than five years, which shall be secured by at least a like face amount of cash, United States Government bonds, Federal Farm Mortgage Corporation bonds, or notes or other such obligations discounted or purchased or representing loans made under section 1031: *Provided*, That the aggregate amount of the outstanding debentures and similar obligations issued individually by any

*See Subchapter I of this chapter.

Federal intermediate credit bank, together with the amount of outstanding consolidated debentures issued for its benefit and account, shall not exceed ten times the surplus and paid-in capital of such bank. (July 17, 1916, c. 245, § 203 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084; June 3, 1935, c. 164, § 6 (a), 49 Stat. 315; Aug. 19, 1937, c. 704, § 27, 50 Stat. 715.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1042 **Applicability of provisions of subchapter I; § 203(b) regulations governing collateral and handling thereof; interest rates.**—The provisions of subchapter I of this chapter relating to the preparation and issue of farm loan bonds shall, so far as applicable, govern the preparation and issue of debentures or other such obligations issued under section 1041 of this title; but the Farm Credit Administration shall prescribe rules and regulations governing the receipt, custody, substitution, and release of the cash, obligations of the United States Government, and notes or other obligations securing such debentures, the right of substitution being hereby granted, and in the event such notes or other obligations are secured by warehouse receipts, shipping documents, or other similar credit instruments, may permit the substitution of trust receipts therefor in such manner and subject to such conditions as may be approved by the said Administration. Rates of interest upon debentures and other such obligations issued under section 1041 of this title shall, subject to the approval of the Farm Credit Administration, be fixed by the Federal intermediate credit bank making the issue, not exceeding 6 per centum per annum. (July 17, 1916, c. 245, § 203 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 28, 50 Stat. 715.)

§ 1043 **Assumption of liability by Government prohibited; recital necessary to be included.**—§ 203(c) The United States Government shall assume no liability, direct or indirect, for any debentures or other obligations issued under section 1041 of this title, and all such debentures and other obligations shall contain conspicuous and appropriate language, to be prescribed in form and substance by the Farm Credit Administration and approved by the Secre-

tary of the Treasury, clearly indicating that no such liability is assumed. (July 17, 1916, c. 245, § 203 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1044 **Consolidated debentures; authority of inter-** § 203(d)
mediate credit banks to issue and sell.—Whenever it shall appear desirable to issue consolidated debentures of the twelve Federal intermediate credit banks and to sell them through a common selling agency, and the Federal intermediate credit banks shall, by resolutions, consent to the same, the banks may issue and sell said debentures subject to the provisions of sections 1041–1045 of this title, and the provisions of sections 871–886 of this title, insofar as applicable. As used in this subchapter, the term "debentures" includes such consolidated debentures. (July 17, 1916, c. 245, § 203 (d); June 3, 1935, c. 164, § 6 (b), 49 Stat. 315.)

§ 1045 **Investment of fiduciary and trust funds in de-** § 203(e)
bentures of intermediate credit banks; security for public deposits.—All debentures issued by Federal intermediate credit banks shall be lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of the United States or of any officer or officers thereof. (July 17, 1916, c. 245, § 203 (e); June 3, 1935, c. 164, § 6 (b), 49 Stat. 316.)

DISCOUNT RATES

§ 1051 **Establishment of and approval of; limitations** § 204(a)
on.—Any Federal intermediate credit bank may, with the approval of the Intermediate Credit Commissioner, from time to time establish rates of discount and interest which, except with the approval of the Governor of the Farm Credit Administration, shall not exceed by more than 1 per centum per annum the rate borne by the last preceding issue of debentures which it issued or in which it participated. Any Federal intermediate credit bank may be required by the Governor of the Farm Credit Administration to acquire, upon such terms as he

may approve, loans and/or discounts of any other Federal intermediate credit bank. (July 17, 1916, c. 245, § 204 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 4, 1925, c. 524, § 2, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084; June 3, 1935, c. 164, § 7, 49 Stat. 316.)

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- § 1052 **Limitation on interest rate charged original § 204(b)
borrower on paper discounted with bank.**—No organization entitled to the privileges of this subchapter, shall, without the approval of the Farm Credit Administration, be allowed to discount with any Federal intermediate credit bank any note or other obligation, upon which the original borrower has been charged a rate of interest exceeding by more than $1\frac{1}{2}$ per centum per annum the discount rate of the Federal intermediate credit bank at the time such loan was made. (July 17, 1916, c. 245, § 204 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

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- § 1053 **Purchase by bank of debentures issued by it.— § 204(c)** Subject to the approval of the Farm Credit Administration, a Federal intermediate credit bank may buy for its own account any debentures or similar obligations issued by or for the benefit and account of such bank or other Federal intermediate credit bank or banks, and (1) hold until maturity any such debentures or similar obligations or (2) retire before maturity any such debentures or similar obligations issued by it or for its benefit and account. (July 17, 1916, c. 245, § 204 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 29, 50 Stat. 715.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

CAPITAL STOCK

- § 1061 **Amount, shares; subscriptions to by United § 205
States; assessments against other banks to re-
store capital impairment of one bank.**—(a) For the purpose of exercising the powers conferred by this subchapter, each Federal intermediate credit bank shall have a subscribed capital stock of \$5,-

§ 1061 000,000, which amount may be increased from time to time with the approval of the Governor of the Farm Credit Administration. Capital stock of such amount shall be divided into shares of \$5 each and shall be subscribed, held, and paid by the Government of the United States. It shall be the duty of the Secretary of the Treasury to subscribe to such capital stock on behalf of the United States, such subscription to be subject to call in whole or in part by directors of the said banks upon thirty days' notice to the Secretary of the Treasury and with the approval of the Farm Credit Administration. The Secretary of the Treasury is authorized and directed to take out shares as called and to pay for the same out of any money in the Treasury not otherwise appropriated. § 205

(b) In the event that there shall be an impairment of the paid-in capital of any Federal intermediate credit bank, the Farm Credit Administration, at such time or times as it deems advisable, may determine and assess the amount thereof against the other Federal intermediate credit banks on such equitable basis of apportionment as it shall prescribe. Each bank against which such an assessment is made shall, out of its surplus and/or to an extent up to 50 per centum of its net earnings, in accordance with the terms of such assessment, pay the amount thereof as soon as possible to the bank having the impairment. In such event payments into the surplus fund and payments of the franchise tax prescribed by this chapter shall be determined on the basis of the net earnings remaining after providing for the payment of any such assessment.

(c) With the approval of the Secretary of the Treasury, the Governor of the Farm Credit Administration is hereby authorized to subscribe from time to time to the capital stock and/or paid-in surplus of any Federal intermediate credit bank on behalf of the United States, in such amounts as he may determine are necessary for the purpose of meeting the credit needs of eligible borrowers from the bank, and the amount of the capital stock and paid-in surplus of such bank may be increased or decreased from time to time by the Governor, in accordance with such needs. Such stock shall be divided into shares of \$100 each and subscriptions to such paid-in surplus shall be made in multiples of \$100 out of the revolving fund created under subsection (e) of section 1131i of this title. The Governor on behalf of the United States shall make

payment for stock and paid-in surplus of such bank and such payment shall be subject to call in whole or in part by the board of directors of the bank, with the approval of the Governor. (July 17, 1916, c. 245, § 205; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; May 19, 1932, c. 191, § 2, 47 Stat. 159; Mar. 27, 1933, Ex. Or. 6084; Jan. 31, 1934, c. 7, § 15 (b), (c), 48 Stat. 348.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

APPLICATION OF EARNINGS

- § 1062 **Salaries and expenses of Federal Farm Loan Bureau; assessment against banks for proportionate share.**—The Farm Credit Administration shall equitably apportion the joint salaries and expenses incurred in behalf of Federal land banks, joint stock land banks, and Federal intermediate credit banks, and shall assess against each Federal intermediate credit bank its proportionate share of the salaries and expenses of the Federal Farm Loan Bureau made necessary in connection with the operation of this provision. (July 17, 1916, c. 245, § 206 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; Mar. 4, 1925, c. 524, § 1, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For salaries and expenses to be included in assessments, see § 657 of this title. See also § 1094, below, for assessment of examination costs.

- § 1072 **Net earnings; surplus fund; franchise tax; disposition by United States of sums received from net earnings of banks and from surplus remaining after liquidation of banks.**—Subject only to review and approval by the Farm Credit Administration, each Federal intermediate credit bank, at the end of its fiscal year, after all its necessary expenses and costs of operation for such fiscal year have been paid or provided for, shall apply its net earnings then remaining, first, to making up any losses in excess of its reserves against unforeseen losses and assets of doubtful value; second, to the elimination of any impairment of its paid-in capital and paid-in surplus; third, to the creation and maintenance of reserves against unforeseen losses and assets of doubtful value in such amount as its board

of directors may prescribe; fourth, to the payment of 25 per centum of the amount then remaining to the United States as a franchise tax; and, fifth, to the payment of the remaining net earnings into its surplus account. The amounts paid as franchise taxes to the United States by Federal intermediate credit banks shall, in the discretion of the Secretary of the Treasury, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal intermediate credit bank be dissolved or go into liquidation, after the payment of all debts and other obligations as hereinbefore provided, any surplus remaining shall be paid to and become the property of the United States and shall be similarly applied. (July 17, 1916, c. 245, § 206 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; May 19, 1932, c. 191, § 3, 47 Stat. 159; Aug. 19, 1937, c. 704, § 30, 50 Stat. 715.)

LIABILITY ON DEBENTURES OR OTHER SUCH OBLIGATIONS

§ 1081 **Liability of one bank for debentures issued by other banks; agreements by banks for transfer of funds for debenture payments.**—Any Federal intermediate credit bank issuing debentures or other such obligations under this subchapter shall be primarily liable therefor, and shall also be liable, upon presentation of the coupons for interest payments due upon any such debentures or obligations issued by any other Federal intermediate credit bank and remaining unpaid in consequence of the default of the other Federal intermediate credit bank. Any Federal intermediate credit bank shall likewise be liable for such portion of the principal of debentures or obligations so issued as are not paid after the assets of such other Federal intermediate credit bank have been liquidated and distributed. Such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent Federal intermediate credit banks liable therefor in proportion to the amount of capital stock, surplus, and debentures or other such obligations which each may have outstanding at the time of such assessment. Every Federal intermediate credit bank shall, by appropriate action of its board of directors duly recorded in its minutes, obli-

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gate itself to become liable on debentures and other such obligations as provided in this section: *Provided*, That in view of the liability of all Federal intermediate credit banks for the debentures and other such obligations of each bank under this chapter, the banks shall, in accordance with rules, regulations, and orders of the Farm Credit Administration, enter into adequate agreements and arrangements among themselves by which funds shall be transferred and/or made available from time to time for the payment of all such debentures and other such obligations and the interest thereon when due in accordance with the terms thereof. (July 17, 1916, c. 245, § 207; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; May 19, 1932, c. 191, § 4, 47 Stat. 159; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

EXAMINATIONS AND REPORTS

§ 1091 **Reports of condition of banks and other lending institutions rediscounting with credit banks; examinations and audits of credit banks.**—In order to enable each Federal intermediate credit bank to carry out the purpose of this subchapter, the Comptroller of the Currency is hereby authorized and directed, upon the request of any Federal intermediate credit bank, (1) to furnish for the confidential use of such bank such reports, records, and other information, as he may have available, relating to the financial condition of national banks through or for which the Federal intermediate credit bank has made or contemplates making discounts, and (2) to make through his examiners, for the confidential use of the Federal intermediate credit bank, examinations of organizations through or for which the Federal intermediate credit bank has made or contemplates making discounts or loans: *Provided*, That no such examination shall be made without the consent of such organization except where such examination is required by law: *Provided*, That any organization, except State banks, trust companies, and savings associations, shall, as a condition precedent to securing rediscount privileges with the Federal intermediate credit bank of its district, file with such bank its written consent to its examination as may be directed by the Farm Credit Administration by farm credit examiners; and State banks, trust companies, and savings associations may be in like manner re- § 208(a)

quired to file their written consent that reports of their examination by constituted authorities may be furnished by such authorities upon request to the Federal intermediate credit bank of their district. Each Federal intermediate credit bank shall be examined and audited at least once each year by the Farm Credit Administration, and the results of such examination and audit shall be made public by the administration. (July 17, 1916, c. 245, § 208 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1092 **Submission and publication of reports of con-** § 208(b)
dition by banks.—Every Federal intermediate credit bank shall make to the Farm Credit Administration not less than three reports during each year as requested by the administration and according to the form which may be prescribed by the administration, verified by the oath or affirmation of the president, or secretary, or treasurer, of each Federal intermediate credit bank and attested by the signature of at least three of the directors. Each report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the Federal intermediate credit bank at the close of business on any past day specified by the Farm Credit Administration within five days from the receipt of a request or requisition therefor from the administration, and in the same form in which it is made to the Farm Credit Administration shall be published in a newspaper published in the place where such Federal intermediate credit bank is established, or if there is no newspaper in the place, then in the one published nearest thereto, in the same county, at the expense of the bank; and such proof of publication shall be furnished as may be required by the Farm Credit Administration. The Farm Credit Administration shall also have power to call for special reports from any particular Federal intermediate credit bank whenever in its judgment the same are necessary for a full and complete knowledge of its condition. (July 17, 1916, c. 245, § 208 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1093 **Investigations and reports by land bank appraisers and examiners for credit banks.**—Land bank appraisers are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to investigate and make a written report upon the products covered by warehouse receipts or shipping documents, and the livestock covered by mortgages, which are security for notes or other such obligations representing any loan to any organization, under this subchapter. Farm credit examiners are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to examine and make a written report upon the condition of any organization, except national banks, to which the Federal intermediate credit bank contemplates making any such loan. (July 17, 1916, c. 245, § 208 (c) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1094 **Cost of examinations; assessments against organizations investigated.**—The Farm Credit Administration shall assess the cost of all examinations made by the examiners of the administration under the provisions of this subchapter upon the bank, trust company, savings institution, or organization investigated, in accordance with the regulations to be prescribed by the administration. (July 17, 1916, c. 245, § 208 (d) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1095 **Reports on condition of institutions receiving loans or deposits.**—The executive departments, boards, commissions, and independent establishments of the Government, the Reconstruction Finance Corporation, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Reserve banks are severally authorized under such conditions as they may prescribe, upon the request of the Farm Credit Administration to make available to the Farm Credit Administration or any district bank or district

corporation operating under its supervision, in confidence, all reports, records or other information they may have relating to the condition of any institution to which the Administration, such district bank, or corporation has made or contemplates making loans or for which it has discounted or contemplates discounting paper, or which it is using or contemplates using as a custodian of securities or other credit instruments, or as a depository. (July 17, 1916, c. 245, § 208 (e); June 3, 1935, c. 164, § 8, 49 Stat. 316; Aug. 23, 1935, c. 614, § 203 (a), 49 Stat. 704; Aug. 19, 1937, c. 704, § 31, 50 Stat. 716.)

§ 203(a) of the Act of Aug. 23, 1935, cited to the text, changed the name of the Federal Reserve Board to "Board of Governors of the Federal Reserve System."

RULES AND REGULATIONS

- § 1101 **Authority of Farm Credit Administration.—** § 209
The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary for the efficient execution of the provisions of this subchapter. (July 17, 1916, c. 245, § 209; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

TAX EXEMPTION

- § 1111 **Capital and income; debentures instrumentalities of Government.—** § 210
The privileges of tax exemption accorded under section 931 of this title shall apply also to each Federal intermediate credit bank, including its capital, reserve, or surplus, and the income derived therefrom, and the debentures issued under this subchapter shall be deemed and held to be instrumentalities of the Government and shall enjoy the same tax exemptions as are accorded farm loan bonds in said section. (July 17, 1916, c. 245, § 210; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

PENALTY PROVISIONS

- § 1121 **Offenses by officers, employees, or agents; em- § 211(a)**
bezzlement; misapplication of funds; unauthorized making, issuing, or assigning instruments; false entries.—Any officer, director, agent, or em-

ployee of a Federal intermediate credit bank who embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or credits of such bank, or who, without authority from such bank, draws any order or bill of exchange, makes any acceptance, issues, puts forth, or assigns any note, debenture, bond, draft, bill of exchange, mortgage, judgment, or decree, or who makes any false entry in any book, report, or statement of such bank with intent in any case to injure or defraud such bank or any other company or person, or to deceive any officer of such bank or the Farm Credit Administration, or any agent or examiner appointed to examine the affairs of such bank; and every receiver of such bank who with like intent to defraud or injure embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or assets of such bank, and every person who with like intent aids or abets any officer, director, agent, employee, or receiver in any violation of this section, shall be deemed guilty of a misdemeanor, and upon conviction thereof in any district court of the United States shall be fined not more than \$5,000, or shall be imprisoned for not more than five years, or both, at the discretion of the court. (July 17, 1916, c. 245, § 211 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Penalty provisions applicable to Federal intermediate credit banks, see § 1138d of this title.

§ 1122 **False statements to banks.**—Whoever makes § 211(b) any statement, knowing it to be false, for the purpose of obtaining for himself or for any other person, firm, corporation, or association any advance, or extension or renewal of an advance, or any release or substitution of security from such bank, or for the purpose of influencing in any other way the action of such bank, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both. (July 17, 1916, c. 245, § 211 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1123 **Overvaluation of property offered as security § 211(c) for loan.**—Whoever willfully overvalues any property offered as security for any such advance shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years,

or both. (July 17, 1916, c. 245, § 211 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1124 Offenses by examiners.—Any examiner appointed under this subchapter or subchapter I hereof who shall accept a loan or gratuity from any organization examined by him, or from any person connected with any such organization in any capacity, or who shall disclose the names of borrowers to other than the proper officers of such organization, without first having obtained express permission in writing from the Land Bank Commissioner or from the board of directors of such organization, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States or of either House thereof, or any committee of Congress or of either House duly authorized, shall be punished by a fine of not exceeding \$5,000 or by imprisonment of not exceeding one year, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as an examiner under the provisions of this subchapter and subchapter I hereof. No examiner while holding such office shall perform any other service for compensation for any bank or banking or loan association or for any person connected therewith in any capacity. (July 17, 1916, c. 245, § 211 (d); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

§ 1125 Offenses by officers, employees, or agents of banks; receiving fees or gifts.—Whoever, being an officer, director, employee, agent, or attorney of a Federal intermediate credit bank, stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value, from any person, firm, or corporation for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation any loan from any such corporation or extension or renewal of loan or substitution of security, or the purchase or discount or acceptance of any paper, note, draft, check, or bill of exchange by any such corporation, shall be deemed guilty of a misdemeanor and shall upon conviction thereof be imprisoned for not more than one year and fined not more than \$5,000, or both. (July 17, 1916, c. 245, § 211 (e); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1126 **Forgery, counterfeiting, and like offenses relating to obligations of banks.**—Any person who shall falsely make, forge, or counterfeit or cause or procure to be falsely made, forged, or counterfeited or willingly aid or assist in falsely making, forging, or counterfeiting any debenture, coupon, or other obligation in imitation of or purporting to be in imitation of the debenture, coupon, or other obligation issued by any Federal intermediate credit bank, or any person who shall pass, utter, or publish or attempt to pass, utter, or publish any false, forged, or counterfeited debenture, coupon, or other obligation purporting to be issued by any such bank knowing the same to be falsely made, forged, or counterfeited, or any person who shall falsely alter or cause or procure to be falsely altered or shall willingly aid or assist in falsely altering any such debenture, coupon, or other obligation or who shall pass, utter, or publish as true any falsely altered or spurious debenture, coupon, or other obligation issued or purporting to have been issued by any such bank knowing the same to be falsely altered or spurious, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not to exceed five years, or both. (July 17, 1916, c. 245, § 211 (f); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1127 **False representations as to debentures or other obligations of banks.**—Any person who shall deceive, defraud, or impose upon or who shall attempt to deceive, defraud, or impose upon any person, partnership, corporation, or association by making any false pretense or representation concerning the character, issue, security, contents, conditions, or terms of any debenture, coupon, or other obligation issued under the terms of this subchapter, shall upon conviction be fined not exceeding \$500, or imprisoned not to exceed one year, or both. (July 17, 1916, c. 245, § 211 (g); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1128 **Unlawful use of words “Federal intermediate credit bank.”**—All corporations not organized under the provisions of this subchapter are prohibited from using the words “Federal intermediate credit bank” as part of their corporate name, and any violation of this prohibition shall subject the party charged therewith to a civil penalty of \$50

for each day during which the violation continues. (July 17, 1916, c. 245, § 211 (h); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

§ 1129 **Charging of unauthorized fees or commissions by banks.**—No Federal intermediate credit bank shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized. (July 17, 1916, c. 245, § 212; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1461.) § 212

SUBCHAPTER IV.—PRODUCTION CREDIT CORPORATIONS AND PRODUCTION CREDIT ASSOCIATIONS*

PRODUCTION CREDIT CORPORATIONS

§ 1131 **Establishment; number; location.**—The Governor of the Farm Credit Administration, hereinafter in this subchapter and subchapter VI referred to as the “governor”, is authorized and directed to organize and charter twelve corporations to be known as “Production Credit Corporations.” One such corporation shall be established in each farm credit district in the city in which there is located a Federal land bank. The members of the several farm credit boards of the farm credit districts provided for in section 640a of this title shall be ex officio the directors of the respective Production Credit Corporations. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such corporations as may be necessary to carry out the powers and duties conferred upon such corporations under this subchapter and subchapter VI. (June 16, 1933, c. 98, § 2, 48 Stat. 257; Aug. 19, 1937, c. 704, § 11, 50 Stat. 708.)

Organization of Banks for Cooperatives, see § 1134.

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Production Credit Corporation, see § 640i of this title.

§ 1131a **Charters and bylaws.**—The charters of the Production Credit Corporations shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and

*See also subchapter VI.

applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the corporations. (June 16, 1933, c. 98, § 3, 48 Stat. 257.)

Charters of Banks for Cooperatives, see §1134a.

§ 1131b **Capital stock; amount; value of shares; amount and subscription for initial stock; payments for stock subscribed on behalf of United States.**—The capital stock of each Production Credit Corporation shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of the district to be served by such corporation, and such amount may be increased or decreased from time to time by the governor in accordance with such credit needs. Such capital stock shall be divided into shares of \$100 each. The initial capital stock of each such corporation shall be \$7,500,000, which shall be subscribed for by the governor and held by him on behalf of the United States. Payments on subscriptions to stock by the governor shall be subject to call in whole or in part by the board of directors of the corporation with the approval of the governor. The governor shall make such payments out of the revolving fund created in section 1131i of this title. The stock ownership of the United States in such corporation shall be evidenced by such means as the governor shall determine. (June 16, 1933, c. 98, § 4, 48 Stat. 257.)

§ 1131c **Purchase of stock in production credit associations; class of stock to be purchased and held; amount of stock; retirement of stock held by corporations; application of earnings on stock held by corporations—(a) Stock in associations organized under this subchapter.**—Each Production Credit Corporation shall have power to invest its funds in stock of production credit associations as provided in this section. Such corporation is authorized to subscribe and pay for class A stock in each Production Credit Association located in the district served by such corporation in amounts sufficient to maintain the amount of class A stock held by it and other holders of class A stock equal, as nearly as may be, to 20 per centum of the volume of loans made or to be made by such associa-

§ 1131c tion, as estimated by the corporation, but at no time shall the amount of class A stock outstanding be less than \$5,000 except with the consent of the association. Notwithstanding the provisions of the preceding sentence, (1) the governor, under rules and regulations prescribed by him, may permit a Production Credit Corporation to maintain the class A holdings of stock by the corporation and other investors at such amount, in excess of 20 per centum of such loans, as may be necessary, and (2) the corporation may at any time require the association to retire and cancel stock held by the corporation in such association, if, in the judgment of the corporation, the association has resources available therefor. (June 16, 1933, c. 98, § 6 (a), 48 Stat. 259.)

(b) Stock in associations not organized under this subchapter; restrictions and limitations.—Under such rules and regulations as may be prescribed by the governor and subject to such restrictions and limitations as he may prescribe, each Production Credit Corporation is authorized to subscribe and pay for stock in production credit associations not organized under this subchapter if such associations are controlled by cooperative associations as defined in section 1141j (a) of this title. Only stock which is preferred as to assets on liquidation and is entitled to participate in dividend distributions without discrimination may be subscribed for. The amount of the stock subscribed for by any Production Credit Corporation in any such association shall not at any one time exceed 75 per centum of the total paid-in capital of such association. (June 16, 1933, c. 98, § 6 (b), 48 Stat. 259.)

(c) Earnings on stock in associations; application of; establishment and investment of surplus.—The amount of the excess of earnings on stock held by the corporation above amounts necessary to pay operating expenses and restore losses and impairment of capital, if any, of the corporation shall be devoted to the creation and maintenance of a surplus equal to at least 25 per centum of the paid-in capital of the corporation. The amount of the surplus shall be invested as the governor shall prescribe in direct obligations of the United States or in class A stock of production credit associations, or both. (June 16, 1933, c. 98, § 6 (c), 48 Stat. 259.)

(d) Application of excess earnings on stock in associations; retirement of stock in corporations held by Government.—The amount of such

excess of earnings not required in order to comply with the provisions of subsection (c) shall be paid into the revolving fund authorized in section 1131i. Stock held by the governor in the Production Credit Corporation shall be retired upon such payment in an amount equal to the amount of such payment. (June 16, 1933, c. 98, § 6 (d), 48 Stat. 259.)

PRODUCTION CREDIT ASSOCIATIONS

§ 1131d **Organization; articles of association; charters; bylaws; powers of governor respecting associations.**—The governor is authorized and directed to organize and charter corporations to be known as “Production Credit Associations.” Such associations may be organized by ten or more farmers desiring to borrow money under the provisions of this section and sections 1131e–1131h. Such individuals shall enter into articles of incorporation which shall specify in general terms the objects for which the association is formed and the powers to be exercised by it in carrying out the functions conferred upon it by this subchapter. Such articles shall be signed by the individuals uniting to form the association and a copy thereof shall be forwarded to the Production Credit Corporation of the district, and such copy shall be filed and preserved in its office. The governor may, for good cause shown, deny a charter to such individuals. Upon the approval of such articles by the governor, the association shall become as of the date of such approval a body corporate. The governor shall have power, under rules and regulations prescribed by him, or by prescribing the terms of the charter of the association, or both, to provide for the organization, management, and conduct of the business of the association; and the power of the governor shall extend to prescribing the amount of the stock of such association; fixing the territory within which its operations may be carried on; fixing the method of election and appointment of, and the amount and payment of the compensation of, directors, officers, and employees; fixing the maximum amount of individual loans which may be made; prescribing the conditions under which the stock may be retired; and providing for the consolidation of two or more such associations. The governor may, at any time, direct such changes in the charter of any such association as he finds necessary in accomplishing the purposes of this section and sections

1131e–1131h. Bylaws of any such association may be adopted by the directors but shall not be valid unless approved by the governor. (June 16, 1933, c. 98, § 20, 48 Stat. 259.)

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of production credit association, see § 640i of this title.

§ 1131e **Capital stock; value of shares; classes of stock; voting rights; limitation on transfer of class B stock; exchange of class B stock upon holder ceasing to be borrower; dividends; ownership of stock as entitling credit corporation to approve or remove officers of association.**—The stock of such associations shall be divided into shares of \$5 each; and there shall be two classes of such stock: (1) Class A stock which is to be held by Production Credit Corporations, and which may be purchased and held by investors, and (2) class B stock which may be purchased only by farmer borrowers from the association and individuals eligible to become borrowers. Class B stock only shall be entitled to voting rights but each holder of such stock shall be entitled to no more than one vote. No class B stock, or any interest therein or right to receive dividends thereon, shall be transferred by act of parties or operation of law except to another farmer borrower or an individual eligible to become a borrower, and then only with the approval of the directors of the association. Each holder of class B stock, within two years after he has ceased to be a borrower, shall exchange such class B stock at the fair book value (not to exceed par) thereof, as determined by the association, for class A stock. All stock shall share in dividend distributions without preference, but the directors of the association may, in their discretion, apply the amount of any dividend payable to a holder of class B stock to any indebtedness of such holder to the association. Class A stock shall be preferred as to assets of the association upon liquidation. During such time as any Production Credit Corporation is a holder of any stock of any such association, the appointment or election of directors, the secretary-treasurer, and the loan committee of such association shall be subject to the approval of the president of the Production Credit Corporation and during such time any such director, secretary-treasurer, or other officer may, at any time, be removed by the president of the Production Credit Corporation. (June 16, 1933, c. 98, § 21, 48 Stat. 260.)

§ 1131f **Application of earnings; losses in excess of reserve account; restoration of capital impairment; reserve account; guaranty fund; dividends.**—Each Production Credit Association shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses in excess of its reserve for bad and doubtful debts; second, to the restoration of the amount of the impairment, if any, of capital; third, to the creation and maintenance of a reserve account for bad and doubtful debts, the amount of which account shall be prescribed by the Production Credit Corporation; and fourth, to the creation and maintenance of a guaranty fund equal to at least 25 per centum of the paid-in capital of the association. Any sums remaining may, with the approval of the Production Credit Corporation, be devoted to the payment of dividends but no rate of dividend in excess of 7 per centum per annum shall be paid. Sums in the guaranty fund herein provided for shall be invested subject to such rules and regulations as may be prescribed by the Production Credit Corporation. (June 16, 1933, c. 98, § 22, 48 Stat. 261.)

§ 1131g **Loans to farmers; terms and conditions.**—Each Production Credit Association shall, under such rules and regulations as may be prescribed by the Production Credit Corporation of the district with the approval of the governor, invest its funds and make loans to farmers for general agricultural purposes, but such part of its funds as is represented by the guaranty fund provided for in section 1131f shall not be devoted to making loans to farmers. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the Production Credit Corporation. No loan shall be made for a less amount than \$50, nor shall any one borrower be indebted to the association at any one time in an amount in excess of 20 per centum of the capital and guaranty fund of the association or, if the loan is secured by collateral approved by the Corporation, in an amount in excess of 50 per centum of the capital and guaranty fund, but loans may be made to any borrower in an amount in excess of 50 per centum of the capital and guaranty fund if the loan is approved by the Production Credit Commissioner of the Farm Credit Administration. Borrowers shall be re-

quired to own, at the time the loan is made, class B stock in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 1311e. (June 16, 1933, c. 98, § 23, 48 Stat. 261.)

Loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this title.

§ 1131gg **Same; for home alterations, repairs, and improvements; sale of loans; insurance of loans.**—With the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Production Credit Commissioner, production credit associations organized under the provisions of this subchapter are authorized and empowered (without regard to the provisions of this subchapter relating to the requirement for the ownership of Class B stock or any other limitations therein contained) (1) to make loans to farmers for the purpose of enabling them to make home alterations, repairs, and improvements, (2) to sell, discount, assign, or otherwise dispose of any loans made by them under the provisions of this section, under such restrictions and limitations as to endorsement and liability as may be approved by the Governor of the Farm Credit Administration, (3) to avail themselves of the benefits of insurance under the provisions of section 1703 of this title, and (4) to do all such things as may be reasonably necessary to carry out the provisions of this section. (June 16, 1933, c. 98, § 86 (a); June 27, 1934, c. 847, § 504, 48 Stat. 1263.)

§ 1131h **Borrowing from and rediscounting paper with Federal intermediate credit banks; limitation on power to borrow from or rediscount paper with other institutions.**—Production Credit Associations doing business under this subchapter and subchapters V and VI of this chapter are authorized to borrow from, and rediscount paper with, Federal Intermediate Credit Banks subject to the restrictions, limitations, and conditions applicable under subchapter III of this chapter. Except with the approval of the Governor, Production Credit Associations shall not have the power to borrow from or rediscount paper with any other bank or agency. (June 16, 1933, c. 98, § 24, 48 Stat. 261.)

REVOLVING FUND

§ 1131i **Revolving fund.**—(a) There is hereby created a revolving fund of not to exceed \$120,000,000 which shall be made up as follows:

(1) The Reconstruction Finance Corporation is authorized and directed to make available to the Governor of the Farm Credit Administration all unobligated balances of the following funds and all sums heretofore returned or released to the corporation from such funds:

(A) Any balances of funds for, and all collections on loans by, the Secretary of Agriculture pursuant to section 602 of Title 15;

(B) All collections on loans made or to be made pursuant to the Act of February 4, 1933 (Public Numbered 327, Seventy-second Congress);

(C) All balances of funds authorized and directed to be made available to the Secretary of Agriculture by such act and not used for loans pursuant thereto; and

(D) Any balances of the funds originally directed to be allocated and made available to the Secretary of Agriculture by such acts except as expended pursuant to section 1148 of this title.

(2) There are hereby made available to the Governor of the Farm Credit Administration all unobligated balances of appropriations and funds available thereunder to enable the Secretary of Agriculture to make advances or loans under the following Acts and resolutions, and all repayments of such advances and loans: March 3, 1921 (41 Stat. 1347), March 20, 1922 (42 Stat. 467), April 26, 1924 (43 Stat. 110), February 28, 1927 (44 Stat. 1251), February 25, 1929 (45 Stat. 1306), as amended May 17, 1929 (46 Stat. 3), March 3, 1930 (46 Stat. 78, 79), December 20, 1930 (46 Stat. 1032), as amended February 14, 1931 (46 Stat. 1160), and February 23, 1931 (46 Stat. 1276), and Public Resolution Numbered 11, Seventy-second Congress, approved March 3, 1932, and the notes or other obligations evidencing such advances and loans and the security therefor are hereby transferred to the Governor of the Farm Credit Administration.

(3) There is hereby authorized to be appropriated the sum of \$40,000,000 out of any money in the Treasury not otherwise appropriated.

(b) There is hereby authorized to be appropriated the sum of \$2,000,000, which shall remain available until expended, for all necessary administrative expenses in connection with the establishment and

supervision of the Production Credit Corporations and the Production Credit Associations.

(c) The authority of the Governor of the Farm Credit Administration to allocate and expend out of the funds covered by subsection (a) of this section such amounts as he shall deem necessary for salaries, expenses, and all other administrative expenditures in the execution of the functions for which such funds have hitherto been available shall not be deemed to be restricted by this section.

(d) The authority to make loans during the calendar year 1933 pursuant to the Act of February 4, 1933 (Public Numbered 327, Seventy-second Congress), as amended, out of funds made available by that Act shall not be deemed to be restricted by this section.

(e) The amount of all balances, collections, and appropriations allocated under subsection (a) to the revolving fund created thereunder, which is in excess of \$120,000,000, is hereby made available to the Governor of the Farm Credit Administration for the establishment of a revolving fund of not to exceed \$40,000,000. Out of such revolving fund, the Governor is authorized to allocate and, with the approval of the Secretary of the Treasury, to expend such amounts as he deems necessary for subscriptions to the capital stock and/or paid-in surplus of Federal Intermediate Credit Banks. (June 16, 1933, c. 98, § 5, 48 Stat. 258; Jan. 31, 1934, c. 7, §§ 14, 15 (a), 48 Stat. 348.)

§ 1131j **Loans to oyster planters; purchase and discounting paper by Federal intermediate credit banks.**—Subject to the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Production Credit Commissioner, production credit associations organized under this subchapter are authorized to make loans to oyster planters; to sell, discount, assign, or otherwise dispose of any loans made by them under the provisions of this section; and to do any and all other things necessary to carry these provisions into effect. With the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Intermediate Credit Commissioner, the Federal Intermediate Credit Banks are authorized and empowered to discount for or purchase from any production credit association any note, draft, or other such obligation representing a loan or loans made

under the provisions of this section; and to make loans or advances direct to any such organization secured by such obligations. (June 18, 1934, c. 574, 48 Stat. 983; June 3, 1935, c. 164, § 17 (c), 49 Stat. 318.)

SUBCHAPTER V.—REGIONAL BANKS FOR COOPERATIVES AND CENTRAL BANK FOR COOPERATIVES*

REGIONAL BANKS

§ 1134 **Establishment; number; location.**—The Governor of the Farm Credit Administration, hereinafter in this subchapter and in subchapter VI referred to as the “governor”, is authorized and directed to organize and charter twelve banks to be known as “Banks for Cooperatives.” One such bank shall be established in each farm credit district in the city in which there is located a Federal land bank. The members of the several farm credit boards of the farm credit districts provided for in section 640a of this title shall be ex officio the directors of the respective banks for cooperatives. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such banks as may be necessary to carry out the powers and duties conferred upon such banks under this subchapter and subchapter VI. (June 16, 1933, c. 98, § 2, 48 Stat. 257; Aug. 19, 1937, c. 704, § 11, 50 Stat. 708.)

Organization of Production Credit Corporations, see § 1131.
Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Bank for Cooperatives, see § 640i of this title.

§ 1134a **Charters and bylaws.**—The charters of the Banks for Cooperatives shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the banks. (June 16, 1933, c. 98, § 3, 48 Stat. 257.)

Charters of Production Credit Corporations, see § 1131a.

*See also subchapter VI.

§ 1134b **Capital stock; amount; value of shares; payments from revolving fund for stock purchased by Government.**—The capital stock of each Bank for Cooperatives established under section 1134 shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this subchapter, and such amount may be increased or decreased from time to time by the governor in accordance with such needs. Such stock shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this title, the governor, on behalf of the United States, shall make payments for stock in the banks and such payments shall be subject to call in whole or in part by the board of directors of the bank with the approval of the governor. (June 16, 1933, c. 98, § 40, 48 Stat. 264.)

§ 1134c **Lending power.**—Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the banks for cooperatives are authorized (a) to make loans to cooperative associations as defined in subchapter VII of this chapter, for any of the purposes and subject to the conditions and limitations set forth in such subchapter; (b) to make loans (by way of discount or otherwise) to any bank organized under this subchapter; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks. (June 16, 1933, c. 98, § 41, 48 Stat. 264; June 3, 1935, c. 164, § 14, 49 Stat. 316; Aug. 19, 1937, c. 704, § 36, 50 Stat. 717.)

Lending power of Central Bank, see §1134j.

Loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this title.

§ 1134d **Ownership of stock in banks by borrowing associations; earnings and reserves of banks.**—The provisions of sections 1134k and 1134l of this title shall apply in the case of Banks for Cooperatives in the same manner and to the same extent as such provisions are applicable to the Central Bank for Cooperatives, except that powers conferred on the chairman of the board of the Central Bank shall be exercised by the boards of directors of the Banks for Cooperatives, subject to the approval of the governor. (June 16, 1933, c. 98, § 42, 48 Stat. 264.)

§ 1134e **Retirement of stock held by Government.**—The governor may at any time require any such bank to retire and cancel stock held by the governor in such bank, if, in the judgment of the governor, the bank has resources available therefor, and amounts received by the governor in any such case shall be credited to the revolving fund created under section 1141d of this title. (June 16, 1933, c. 98, § 43, 48 Stat. 265.)

CENTRAL BANK

§ 1134f **Establishment; location.**—The governor is authorized and directed to organize and charter a corporation to be known as the “Central Bank for Cooperatives” with its principal office in the District of Columbia and such other offices as in the opinion of the governor may be necessary. (June 16, 1933, c. 98, § 30, 48 Stat. 261.)

§ 1134g **Board of directors.**—(a) The board of directors of the Central Bank for Cooperatives shall consist of seven members, one of whom shall be the Cooperative Bank Commissioner of the Farm Credit Administration, who shall be chairman of the board of directors. The other six directors shall be appointed by the governor, of whom the successors of three first appointed shall be appointed from nominees selected by borrowers as provided in subsection (b). The terms of the directors first appointed shall be for one, two, and three years as designated by the governor at the time of appointment and their successors shall hold their offices during a term of three years, but a director appointed to fill a vacancy shall hold his office for the unexpired term of the director whose place he is selected to fill. Any appointed director may at any time be removed for cause by the governor. No compensation shall be paid any director as a director of the corporation but the corporation, subject to the approval of the governor, may allow directors a reasonable per diem and expenses.

(b) The successors of three of the directors first appointed shall be selected one each year by the governor from among individuals nominated by borrowers (except Banks for Cooperatives). The governor shall, not less than sixty days prior to the end of the term of any director whose successor is to be appointed from among nominees as herein provided,

or as soon as practicable after a vacancy occurs in the office of such director other than by the expiration of his term, cause notice of the vacancy to be sent to each borrower eligible to vote for nominees. Each such borrower shall be eligible to cast one vote. The governor shall not count any ballot received after the expiration of thirty days after the sending of notice. From those (not exceeding three) receiving the highest number of votes, as shown by his count, the governor shall appoint the director. (June 16, 1933, c. 98, § 31, 48 Stat. 262.)

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Central Bank for Cooperatives, see § 640i of this title.

§ 1134h **Powers of board of directors; chairman of board.**—The chairman of the board of the corporation shall be the executive officer of the corporation and the powers of the board of directors shall be such powers as may be prescribed in the charter and bylaws. (June 16, 1933, c. 98, § 32, 48 Stat. 262.)

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Central Bank for Cooperatives, see § 640i of this title.

§ 1134i **Capital stock.**—The capital stock of the central bank shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this subchapter, and the governor may from time to time increase or decrease such amount, subject to the limitations contained in sections 1134k and 1134m, in accordance with such needs. The stock of such bank shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this title, the governor, on behalf of the United States, shall subscribe for and make payments for stock in the Central Bank and such payments shall be subject to call in whole or in part by the chairman of the board of the Central Bank with the approval of the governor. (June 16, 1933, c. 98, § 33, 48 Stat. 262.)

§ 1134j **Lending power; prevention of duplication of effort on the part of central bank and banks for cooperatives.**—Subject to such terms and conditions as may be prescribed by the chairman of its board of directors, the Central Bank is authorized: (a) to make loans to cooperative associations as

defined in Subchapter VII of this chapter, for any of the purposes and subject to the conditions and limitations set forth in such subchapter; (b) to make loans (by way of discount or otherwise) to banks for cooperatives organized under section 1134 of this title; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks.

The governor shall, by regulation or by prescribing the terms of the charters issued to the Central Bank for Cooperatives and the Banks for Cooperatives, or both, provide such limitations, as between the two types of banks, on the classes of borrowers to which loans may be made and the amount of the loans which may be made to individual borrowers, as will best insure the absence of duplication of effort by the two types of banks and will secure the greatest efficiency in extending the benefits of this subchapter to borrowers. (June 16, 1933, c. 98, §§ 34, 38, 48 Stat. 262, 264; June 3, 1935, c. 164, § 13, 49 Stat. 317; Aug. 19, 1937, c. 704, § 35, 50 Stat. 717.)

Loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this title.

§ 1134k **Ownership of stock by associations borrowing from bank; payment into bank's guaranty fund by associations not authorized to purchase stock.**—(a) Cooperative associations borrowing from the Central Bank shall be required to own, at the time the loan is made, an amount of stock of the bank equal in fair book value (not to exceed par), as determined by the bank, to \$100 per \$2,000 or fraction thereof of the amount of the loan, except that, in connection with any loan made on the security of commodities, the borrower shall be required to own, at the time the loan is made, only such amount of stock as may be prescribed by rules and regulations of the Governor. Upon discharge of the loan, stock held by the borrowing association may be, and upon the concurrent or subsequent request of the borrowing association shall be, retired and canceled, and the association shall be paid therefor an amount equal to the amount paid for such stock or loaned to subscribe therefor, as the case may be, minus the pro rata impairment, if any, of capital and guaranty fund of the Central Bank, as determined by the Chairman of the Board of the Central Bank.

(b) In any case in which a cooperative association applying for a loan is not authorized, under the law of the State in which it is organized, to subscribe for stock in the Central Bank, the bank shall, in lieu of stock subscription, require the borrowing association to pay into a guaranty fund, or the bank may retain out of the amount of the loan and credit to the guaranty fund, an amount equal to the amount which the borrowing association would have been required to own in stock if such association had been authorized to hold such stock. Upon discharge of its loan, the provisions of the last sentence of subsection (a) shall apply with respect to sums of such association in the guaranty fund in the same manner as if such sums were represented by stock.

(c) In any case where the debt of a borrower to the Central Bank is in default, the bank may, in accordance with rules and regulations prescribed by the Governor, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof (not exceeding par), in total or partial liquidation of the debt, as the case may be. (June 16, 1933, c. 98, § 35, 48 Stat. 263; June 3, 1935, c. 164, § 15, 49 Stat. 318.)

§ 1134l **Earnings and reserves; guaranty fund; surplus; dividends to stockholders and subscribers to guaranty fund; application of dividends on Government-owned stock.**—The Central Bank for Cooperatives shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses incurred; second, to the restoration of the amount of the impairment, if any, of capital and guaranty fund as determined by the chairman of the board; and at least 25 per centum of the remainder of such excess of earnings shall be applied to the creation and maintenance of a surplus equal to at least 25 per centum of the amount of the capital and guaranty fund. Any sums remaining may, with the approval of the chairman of the board, be devoted to the payment of dividends. Subscribers to the guaranty fund shall be entitled to dividends in the same amounts as subscribers to stock. No rate of dividend in excess of 7 per centum per annum shall be paid. Dividends on stock held by the governor, when paid, shall be credited to the revolving fund created under section 1141d of this title. (June 16, 1933, c. 98, § 36, 48 Stat. 263.)

§ 1134m **Debentures; amount; security; preparation and issue; custody of collateral.**—The Central Bank is authorized to issue debentures, but the amount of debentures which may be outstanding may not exceed at any one time five times the paid-in capital and surplus of the bank. Such debentures shall be issued at such times and subject to such terms and conditions as the board of directors shall determine but shall bear such interest rates as may be fixed by the chairman of the board. Such debentures shall be secured by collateral which shall be at least equal in value to the amount of debentures outstanding and which shall consist of cash, direct obligations of the United States, or notes or other obligations discounted or purchased or representing loans made under section 1134j. The provisions of law applicable to the preparation and issue of Federal intermediate credit bank debentures shall, so far as applicable, govern the preparation and issue of debentures issued under this section. The governor shall appoint a custodian of such collateral who shall have power subject to such rules and regulations as the governor may prescribe to approve and accept substitutions of collateral. (June 16, 1933, c. 98, § 37, 48 Stat. 263.)

SUBCHAPTER VI.—PROVISIONS COMMON TO PRODUCTION CREDIT CORPORATIONS, PRODUCTION CREDIT ASSOCIATIONS, REGIONAL AND CENTRAL BANKS FOR COOPERATIVES

§ 1138 **General corporate powers.**—The Central Bank for Cooperatives, and the Production Credit Corporations, the Production Credit Associations, and the Banks for Cooperatives, organized under the two preceding subchapters, shall have succession, until dissolved in accordance with this subchapter or any other Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of their business, to prescribe fees and charges (which in any case shall be subject to the rules and regulations prescribed by the governor) for loans and other services; and shall have such other powers necessary and incident to carrying out their powers and duties under this subchapter or any other Act of Congress as may be pro-

vided by the governor in their charters or in any amendments thereto. Each such bank, association, or corporation shall, for the purposes of jurisdiction, be deemed a citizen of the State or District within which its principal office is located. No district court of the United States shall have jurisdiction of any action or suit by or against any Production Credit Corporation or Production Credit Association upon the ground that it was incorporated under this chapter or that the United States owns a majority of the stock in it, nor shall any district court of the United States within the farm credit district served by such association or corporation have jurisdiction by removal or otherwise of any suit by or against any such association or corporation except in cases by or against the United States or by or against any officer of the United States and except in cases by or against any receiver of any such corporation or association appointed in accordance with section 1138e. (June 16, 1933, c. 98, § 60, 48 Stat. 266; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

§ 1138a **Examinations; assessments against corporations for cost of examinations.**—At least once each year and at such other times as the governor deems necessary, the Central Bank for Cooperatives, and each Production Credit Corporation, Production Credit Association, and Bank for Cooperatives, organized under this chapter, shall be examined by examiners designated by the governor. The governor shall assess the cost of such examinations against the bank, association, or corporation examined, which shall pay such costs to the governor. The amount so assessed and unpaid shall be a prior lien on all assets of the bank, association, or corporation examined except on assets pledged to secure loans. (June 16, 1933, c. 98, § 61, 48 Stat. 267.)

§ 1138b **Fiscal agents of United States.**—The Central Bank for Cooperatives, the Production Credit Corporations, Production Credit Associations, the Federal Farm Mortgage Corporation, and Banks for Cooperatives, organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and when acting as such

shall perform such duties as shall be prescribed by the Secretary of the Treasury. (June 16, 1933, c. 98, § 62, 48 Stat. 267; Jan. 31, 1934, c. 7, § 11, 48 Stat. 347.)

§ 1138c **Tax exemption; realty and tangible personalty as subject to taxation; termination of tax exemption after retirement of Government-owned stock.**—The Central Bank for Cooperatives, and the Production Credit Corporations, Production Credit Associations, and Banks for Cooperatives, organized under this chapter, and their obligations, shall be deemed to be instrumentalities of the United States, and as such, any and all notes, debentures, bonds, and other such obligations issued by such banks, associations, or corporations shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority. Such banks, associations, and corporations, their property, their franchises, capital, reserves, surplus, and other funds, and their income, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such banks, associations, and corporations shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. The exemption provided herein shall not apply with respect to any Production Credit Association or its property or income after the stock held in it by the Production Credit Corporation has been retired, or with respect to the Central Bank for Cooperatives, or any Production Credit Corporation or Bank for Cooperatives, or its property or income after the stock held in it by the United States has been retired. (June 16, 1933, c. 98, § 63, 48 Stat. 267.)

§ 1138d **Offenses and penalties—(a) False representation; overvaluation of property.**—Whoever makes any material representation knowing it to be false, or whoever willfully overvalues any property or security, for the purpose of influencing in any way the action of the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any division, officer, or employee thereof, or of any corporation

§ 1138d organized under subchapter IV or V of this chapter, or in which a Production Credit Corporation organized under this chapter holds stock, or of any regional agricultural credit corporation established pursuant to section 1148 of this title, upon any application, advance, discount, purchase or repurchase agreement, or loan, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both. (June 16, 1933, c. 98, § 64 (a), 48 Stat. 267; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(b) Forgery, counterfeiting, alteration, etc., of obligations.—Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, coupon, or paper in imitation of or purporting to be a note, debenture, bond, or other obligation, coupon, or paper issued by the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or by any corporation referred to in subsection (a) of this section; or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note, debenture, bond, or other obligation, coupon, or paper, purporting to have been issued by the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or by any such corporation, knowing the same to be false, forged, or counterfeited; or (3) falsely alters any note, debenture, bond, or other obligation, coupon, or paper issued or purporting to have been issued by the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or by any such corporation; or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, any of the same as true, knowing it to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both. (June 16, 1933, c. 98, § 64 (b), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(c) Embezzlement, misapplication, etc., of anything of value belonging to corporation or to administration; false entries; unauthorized making, issuing, or assigning of instrument; personally benefiting from business of corporation.—Whoever, being an employee, officer, or agent of the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage

§ 1138d Corporation, or connected in any capacity with any corporation referred to in subsection (a) of this section, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or such corporation or pledged or otherwise intrusted to the same; or (2) with intent to defraud the United States, or any such corporation, or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or of any such corporation, makes any false entry in any book, report, or statement of or to the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any such corporation, or draws any order, or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, mortgage, judgment, or decree thereof; or (3) with intent to defraud the United States or any corporation referred to in subsection (a) of this section, participates or shares in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other act of any such corporation, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both. (June 16, 1933, c. 98, § 64 (c), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(d) Concealment, conversion, etc., of property mortgaged or pledged to, or held by corporation or administration.—Whoever knowingly, with intent to defraud the United States or any corporation referred to in subsection (a) of this section, shall conceal, remove, dispose of, or convert, to his own use or to that of another, any property mortgaged or pledged to, or held by, the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any such corporation, as security for any obligation, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both. (June 16, 1933, c. 98, § 64 (d), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(e) Applicability of criminal code provisions to transactions of corporations and administration, any Federal intermediate credit bank or the Federal Farm Mortgage Corporation.—The provisions of section 202 to 207, inclusive, of Title

18, insofar as applicable, are extended to apply to contracts or agreements made by the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, its divisions, officers, and employees, and by the corporations referred to in subsection (a) of this section, which, for the purposes hereof, shall be held to include advances, loans, discounts, and purchase and repurchase agreements; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor. (June 16, 1933, c. 98, § 64 (e), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347.)

(f) Conspiracy.—Whoever conspires with another to accomplish any of the acts made unlawful by the preceding provisions of this section shall, on conviction thereof, be subject to the same fine or imprisonment, or both, as is applicable in the case of conviction for doing such unlawful act. (June 16, 1933, c. 98, § 64 (f), 48 Stat. 269.)

§ 1138e **Receivership; voluntary liquidation.**—Upon default of any obligation of any Production Credit Corporation, Production Credit Association, or regional Bank for Cooperatives, such bank, association, or corporation may be declared insolvent and placed in the hands of a receiver by the governor and proceedings shall thereupon be had in accordance with the provisions of law relating to the insolvency of national farm loan associations. Any such bank, association, or corporation may, with the consent of the governor, liquidate voluntarily, but only in accordance with such rules and regulations as the governor may prescribe. (June 16, 1933, c. 98, § 65, 48 Stat. 269.)

§ 1138f **Limitation on compensation payable to director, officer, or employee.**—No director, officer, or employee of the Central Bank for Cooperatives, or of any Production Credit Corporation, Production Credit Association, or Bank for Cooperatives shall be paid compensation at a rate in excess of \$10,000 per annum. No officer or employee of the Farm Credit Administration engaged in carrying out the provisions of this subchapter and subchapters IV and V of this chapter shall be paid compensation at a rate in excess of \$10,000 per annum. (June 16, 1933, c. 98, § 66, 48 Stat. 269.)

SUBCHAPTER VII.—AGRICULTURAL MARKETING ACT

HISTORICAL NOTE

This subchapter contains the Agricultural Marketing Act (approved June 15, 1929), as amended.

In view of the amendments to the Agricultural Marketing Act made by the Farm Credit Act of 1933 (approved June 16, 1933) and by the Farm Credit Act of 1935 (approved June 3, 1935), and of the transfer of its administration to the Governor of the Farm Credit Administration by Executive Order No. 6084, set forth at the beginning of this chapter under "Introductory," the provisions of the Act as amended have been transferred to this chapter from Title 7.

From the provisions of subchapter V of this chapter, it will be noted that many of the functions defined in this subchapter may now be exercised through regional banks for cooperatives and a central bank for cooperatives. Subchapter V provides for the establishment of banks for cooperatives with capital stock purchased from the revolving fund created under section 1141d of this subchapter; and the loaning powers of the banks for cooperatives, under subchapter V, are similar to those originally created under this subchapter and not rescinded by amendments thereto.

The Agricultural Marketing Act was entitled "An Act to establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries."

§ 1141 **Declaration of policy; effective merchandising of agricultural commodities; speculation; cooperative marketing; surpluses; administration of subchapter.**—(a) It is hereby declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products—

(1) by minimizing speculation.

(2) by preventing inefficient and wasteful methods of distribution.

(3) by encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies.

(4) by aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.

(b) There shall be considered as a surplus for the purposes of this subchapter any seasonal or year's total surplus, produced in the United States and either local or national in extent, that is in excess of the requirements for the orderly distribution of the agricultural commodity or is in excess of the domestic requirements for such commodity.

(c) The Farm Credit Administration shall execute the powers vested in it by this subchapter only in such manner as will, in the judgment of the administration, aid to the fullest practicable extent in carrying out the policy above declared. (June 15, 1929, c. 24, § 1, 46 Stat. 11; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141a **Federal Farm Board.**—A Federal Farm Board is hereby created, which shall consist of eight members to be appointed by the President, by and with the advice and consent of the Senate, and of the Secretary of Agriculture, ex officio. In making the appointments the President shall give due consideration to having the major agricultural commodities produced in the United States fairly represented upon the board. The terms of office of the appointed members of the board first taking office after June 15, 1929, shall expire, as designated by the President at the time of nomination, two at the end of the first year, two at the end of the second year, one at the end of the third year, one at the end of the fourth year, one at the end of the fifth year, and one at the end of the sixth year after such date. A successor to an appointed member of the board shall have a term of office expiring six years from the date of the expiration of the term for which his predecessor was appointed, except that any person appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term. One of the appointed members shall be designated by the

President as chairman of the board and shall be the principal executive officer thereof. The board shall select a vice chairman who shall act as chairman in case of the absence or disability of the chairman. The board may function notwithstanding vacancies, and a majority of the appointed members in office shall constitute a quorum. Each appointed member shall be a citizen of the United States and shall not actively engage in any other business, vocation, or employment than that of serving as a member of the board; nor shall any appointed member during his term of office engage in the business (except such business as is necessary to the operation of his own farm or farms) of buying and selling, or otherwise be financially interested in, any agricultural commodity or product thereof. Each appointed member shall receive a salary of \$12,000 a year, together with necessary traveling and subsistence expenses, or per diem allowance in lieu thereof, within the limitations prescribed by law, while away from his official station upon official business. (June 15, 1929, c. 24, § 2, 46 Stat. 11.)

This section rendered obsolete by Executive Order 6084, except insofar as it affects the qualifications, appointment, business engagements, salary, and expenses of the Governor of the Farm Credit Administration, formerly known as chairman of the Federal Farm Board.

§ 1141b **General powers of Farm Credit Administration.**—The Farm Credit Administration—

(1) shall maintain its principal office in the District of Columbia, and such other offices in the United States as in its judgment are necessary.

(2) shall have an official seal which shall be judicially noticed.

(3) shall make an annual report to Congress upon the administration of this subchapter and any other matter relating to the better effectuation of the policy declared in section 1141, including recommendations for legislation.

(4) may make such regulations as are necessary to execute the functions vested in it by this subchapter.

(5) may appoint and fix the salaries of a secretary and such experts, and, in accordance with sections 661–674 of Title 5, as amended, and subject to the provisions of the civil service laws, such other officers and employees, as are necessary to execute such functions.

(6) may make such expenditures (including expenditures for rent and personal services at the seat of government and elsewhere, for law books, period-

icals, and books of reference, and for printing and binding) as are necessary to execute such functions. Expenditures by the administration shall be allowed and paid upon the presentation of itemized vouchers therefor approved by the governor of the administration.

(7) may sell at public or private sale to the highest responsible bidder, upon such terms and after such public advertisement as the Farm Credit Administration may deem in the public interest, any property, real or personal, or any interest therein, acquired by the United States on account of or as a result of any loans made from the revolving fund authorized by section 1141d of this title, as amended; may lease any such property, pending its sale, on such terms and for such period, not in excess of five years, as the Farm Credit Administration may deem in the public interest; and may incur and pay, from the said revolving fund, obligations and expenses for the operation, upkeep, maintenance, repair, disposition, insurance, and protection of any such property: *Provided*, That section 5 of Title 41 shall not be construed to apply to any purchase or service on account of such property. (June 15, 1929, c. 24, § 4, 46 Stat. 13; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 37, 50 Stat. 717.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Board" and "board," respectively, and "governor" was substituted for "chairman" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141c Special powers of administration.—The administration is authorized and directed—

(1) to promote education in the principles and practices of cooperative marketing of agricultural commodities and food products thereof.

(2) to encourage the organization, improvement in methods, and development of effective cooperative associations.

(3) to keep advised from any available sources and make reports as to crop prices, experiences, prospects, supply, and demand, at home and abroad. (June 15, 1929, c. 24, § 5, 46 Stat. 13; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 50 (a), 48 Stat. 265.)

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Act of June 16, 1933, c. 98, § 50 (a), 48 Stat. 265, repealed paragraph (4) relating to investigations of overproduction and paragraph (5) relating to miscellaneous investigations.

§ 1141d **Revolving fund.**—There is hereby authorized to be appropriated the sum of \$500,000,000 which shall be made available by the Congress as soon as practicable after the approval of this subchapter and shall constitute a revolving fund to be administered by the administration as provided in this subchapter and subchapter V of this chapter. Any and all funds derived from the sale, lease, operation, or other disposition of any property, real or personal, acquired by the United States on account of or as a result of any loan made pursuant to the provisions of this subchapter, shall be covered into and become a part of said revolving fund. (June 15, 1929, c. 24, § 6, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 33, 34, 40, 41, 48 Stat. 262, 264; Aug. 19, 1937, c. 704, § 38, 50 Stat. 718.)

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For use of revolving fund in purchasing capital stock in regional and central banks for cooperatives, see sections 1134b and 1134i of subchapter V.

§ 1141e **Loans to cooperative associations.**—(a) Upon application by any cooperative association the administration is authorized to make loans to it from the revolving fund [provided for in section 1141d] to assist in—

(1) the effective merchandising of agricultural commodities and food products thereof and the financing of its operations;

(2) the construction or acquisition by purchase or lease, or refinancing the cost of such construction or acquisition, of physical facilities.

(b) No loan shall be made to any cooperative association unless, in the judgment of the administration, the loan is in furtherance of the policy declared in section 1141 and the cooperative association applying for the loan has an organization and management, and business policies, of such character as to insure the reasonable safety of the loan and the furtherance of such policy.

(c) Loans for the construction or acquisition by purchase or lease of physical facilities, or for refinancing the cost of such construction or acquisition [acquisition], shall be subject to the following conditions:

(1) No loan shall be made in an amount in excess of 60 per centum of the appraised value of the security therefor.

(2) No loan for the purchase or lease of such facilities shall be made unless the Governor of the

Farm Credit Administration finds that the purchase price or rent to be paid is reasonable.

(d) Loans for the construction or purchase of physical facilities, together with interest on the loans, shall be repaid upon an amortization plan over a period not in excess of twenty years. (June 15, 1929, c. 24, § 7, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 50–53, 48 Stat. 265; June 3, 1935, c. 164, §§ 9, 10, 49 Stat. 316.)

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Subsection (a) of this section originally contained a third paragraph, relating to loans to assist in forming clearing house associations, which was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933.

Subsection (a) of this section originally contained a fourth paragraph, relating to loans for education in the advantages of cooperative marketing, which was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933.

Subsection (a) of this section originally contained a fifth paragraph, as follows: “(5) enabling the cooperative association applying for the loan to advance to its members a greater share of the market price of the commodity delivered to the association than is practicable under other credit facilities.”

This paragraph was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933, subject to the following provision of section 50 (b) of that Act:

“The repeal of section 7 (a) (5) shall not be construed to prohibit the extension, renewal, or refinancing of any loan made thereunder and outstanding on the date of the enactment of this Act, but loans to extend, renew, or refinance any such loan shall bear interest rates as determined under section 8 (a) of the Agricultural Marketing Act as amended by section 54 of this Act.”

See sections 1134c and 1134j of subchapter V for loans to cooperative associations by banks for cooperatives, established under the Farm Credit Act of June 16, 1933, and capitalized from the revolving fund provided for in § 1141d hereof.

§ 1141f **Miscellaneous loan provisions.**—(a) Loans to any cooperative association shall bear such rates of interest as the Governor of the Farm Credit Administration shall from time to time determine to be necessary for the needs of the lending agencies and shall by regulation prescribe (but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal): *Provided, however,* That the rate of interest on any loan made under the provisions of section 1141e (a) (1) hereof, other than upon the security of commodities, shall conform as nearly as may be practicable to a rate 1 per centum in excess of the prevailing interest rate paid by production credit associations to the Federal intermediate credit bank of the farm credit district in which the principal business office of the borrower is located; the rate of interest on any loan made upon the security of commodities shall conform, as nearly as may be practicable, to the prevailing interest rate on commodity loans charged borrowers from the Federal intermediate credit bank of the farm credit district in which the principal business office of the

borrower is located; and that the rate of interest on any loan made under the provisions of section 1141e (a) (2) hereof shall conform as nearly as may be practicable to the prevailing rate on mortgage loans made to members of national farm loan associations.

(b) Payments of principal or interest upon any such loan or advance shall be covered into the revolving fund [provided for in section 1141d].

(c) Loans to any cooperative association or stabilization corporation shall be made upon the terms specified in this subchapter and upon such other terms not inconsistent therewith and upon such security as the administration deems necessary.

(d) No loan or insurance agreement shall be made by the administration if in its judgment the agreement is likely to increase unduly the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual marketing requirements. (June 15, 1929, c. 24, § 8, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 54, 48 Stat. 266; June 3, 1935, c. 164, § 11, 49 Stat. 316; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

See § 1141g and note thereto.

§ 1141g Stabilization corporations.—(a) The administration may, upon application of the advisory commodity committee for any commodity, recognize as a stabilization corporation for the commodity any corporation if—

(1) The administration finds that the marketing situation with respect to the agricultural commodity requires or may require the establishment of a stabilization corporation in order effectively to carry out the policy declared in section 1141; and

(2) The administration finds that the corporation is duly organized under the laws of a State or Territory; and

(3) The administration finds that all the outstanding voting stock or membership interests in the corporation are and may be owned only by cooperative associations handling the commodity; and

(4) The corporation agrees with the administration to adopt such bylaws as the administration may from time to time require, which bylaws, among other matters, shall permit cooperative associations not stockholders or members of the

§ 1141g corporation to become stockholders or members therein upon equitable terms.

(b) Any stabilization corporation for an agricultural commodity (1) may act as a marketing agency for its stockholders or members in preparing, handling, storing, processing, and merchandising for their account any quantity of the agricultural commodity or its food products, and (2) for the purpose of controlling any surplus in the commodity in furtherance of the policy declared in section 1141, may prepare, purchase, handle, store, process, and merchandise, otherwise than for the account of its stockholders or members, any quantity of the agricultural commodity or its food products whether or not such commodity or products are acquired from its stockholders or members.

(c) Upon request of the advisory committee for any commodity the administration is authorized to make loans from the revolving fund to the stabilization corporation for the commodity for working capital to enable the corporation to act as a marketing agency for its stockholders or members as hereinbefore provided. Not less than 75 per centum of all profits derived by a stabilization corporation each year from its operations as such a marketing agency shall be paid into a merchandising reserve fund to be established by the corporation. No such payment shall be required whenever the fund is in such amount as, in the judgment of the administration, constitutes a sufficient reserve for such operations of the corporation. Out of the remainder of such profits for the year the corporation shall repay any outstanding loan made under this subdivision and the accrued interest thereon, or if all such loans and accrued interest have been fully repaid, then it may distribute a patronage dividend to its stockholders or members. Such patronage dividend shall be paid to each stockholder or member on the basis of the total volume of the commodity or its products for the year marketed for his account through the corporation.

(d) Upon request of the advisory committee for any commodity the administration is authorized to make loans from the revolving fund to the stabilization corporation for the commodity to enable the corporation to control any surplus in the commodity as hereinbefore provided and for meeting carrying and handling charges and other operating expenses in connection therewith. The administration shall require a stabilization corporation to establish and

§ 1141g maintain adequate reserves from its profits from its surplus control operations before it shall pay any dividends out of such profits. All losses of the corporation from such operations shall be paid from such reserves, or if such reserves are inadequate, then such losses shall be paid by the Administration as a loan from the revolving fund. Any amounts so loaned for payment of losses shall be repaid into the revolving fund by the corporation from future profits from its surplus control operations. Any stabilization corporation receiving loans under this subdivision for surplus control operations shall exert every reasonable effort to avoid losses and to secure profits, but shall not withhold any commodity from the domestic market if the prices have become unduly enhanced, resulting in distress to domestic consumers. Stockholders or members of the corporation shall not be subject to assessment for any losses incurred in surplus control operations of the corporation.

(e) A stabilization corporation shall keep such accounts, records, and memoranda, and make such reports with respect to its transactions, business methods, and financial condition, as the administration may from time to time prescribe; shall permit the administration to audit its accounts annually and at such other times as the administration deems advisable; and shall permit the administration, upon its own initiative or upon written request of any stockholder or member, to investigate the financial condition and business methods of the corporation.

(f) No loan shall be made to any stabilization corporation unless, in the judgment of the administration, the loan is in furtherance of the policy declared in section 1141. (June 15, 1929, c. 24, § 9, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084.)

This section constituted § 9 of the Agricultural Marketing Act of June 15, 1929. The powers and duties originally vested in the Federal Farm Board by this section were vested in the Farm Credit Administration, by § 3 of Executive Order No. 6084, subject to the following provisions of § 6 of that Order:

"The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions."

The "Advisory Commodity Committees" to which reference is made in this section were provided for by § 3 of the Agricultural Marketing Act of June 15, 1929, which section was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933.

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141h **Avoidance of duplication; cooperation with other governmental establishments; obtaining information and data; cooperation with States, Territories, and agencies or subdivisions thereof; indicating research problems; transfer of offices, functions, etc.**—(a) The administration shall, in cooperation with any governmental establishment in the Executive branch of the Government, including any field service thereof at home or abroad, avail itself of the services and facilities thereof in order to avoid preventable expense or duplication of effort.

(b) The President may by Executive order direct any such governmental establishment to furnish the administration such information and data as such governmental establishment may have pertaining to the functions of the administration [under this subchapter]; except that the President shall not direct that the administration be furnished with any information or data supplied by any person in confidence to any governmental establishment in pursuance of any provision of law or of any agreement with a governmental establishment.

(c) The administration may cooperate with any State or Territory, or department, agency, or political subdivision thereof, or with any person.

(d) The administration shall, through the governor, indicate to the appropriate bureau or division of the Department of Agriculture any special problem on which a research is needed to aid in carrying out the provisions of this subchapter.

(e) The President is authorized, by Executive order, to transfer to or retransfer from the jurisdiction and control of the administration the whole or any part of (1) any office, bureau, service, division, commission, or board in the Executive branch of the Government engaged in scientific or extension work, or the furnishing of services, with respect to the marketing of agricultural commodities, (2) its functions pertaining to such work or services, and (3) the records, property, including office equipment, personnel, and unexpended balances of appropriation, pertaining to such work or services. (June 15, 1929, c. 24, § 13, 46 Stat. 17; Mar. 27, 1933, Ex. Or. 6084.)

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141i **Examination of books and accounts; limitation on purpose of examination respecting expenditures from revolving fund.**—Vouchers approved

by the Governor of the Farm Credit Administration for expenditures from the revolving fund [provided for in section 1141d] pursuant to any loan or advance or from insurance moneys pursuant to any insurance agreement, shall be final and conclusive upon all officers of the Government; except that all financial transactions of the administration shall, subject to the above limitations, be examined by the General Accounting Office at such times and in such manner as the Comptroller General of the United States may by regulation prescribe. Such examination, with respect to expenditures from the revolving fund pursuant to any loan or advance or from insurance moneys pursuant to any insurance agreement, shall be for the sole purpose of making a report to the Congress and to the Administration of expenditures and of loan and insurance agreements in violation of law, together with such recommendations thereon as the Comptroller General deems advisable. (June 15, 1929, c. 24, § 14, 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

Insurance agreements, to which reference is made in this section, were authorized to be made by § 11 of the Agricultural Marketing Act of June 15, 1929, which section was repealed by § 50 (a) of the Farm Credit Act of June 16, 1933. The provision, as originally contained in the Agricultural Marketing Act, authorized the Federal Farm Board, upon application of cooperative associations, to enter into agreements, subject to specified conditions for the insurance of the associations against loss through price decline in the agricultural commodity handled by the associations and produced by the members thereof.

"Governor of the Farm Credit Administration" and "administration" mentioned in the text were substituted for "chairman of the board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141j **Miscellaneous provisions — (a) "Cooperative association" defined.**—As used in this subchapter, the term "cooperative association" means any association in which farmers act together in processing, preparing for market, handling, and/or marketing the farm products of persons so engaged, and also means any association in which farmers act together in purchasing, testing, grading, processing, distributing, and/or furnishing farm supplies and/or farm business services: *Provided, however,* That such associations are operated for the mutual benefit of the members thereof as such producers or purchasers and conform to one or both of the following requirements:

First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; and

§ 1141j Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum.

And in any case to the following:

Third. That the association shall not deal in farm products, farm supplies, and farm business services with or for nonmembers in an amount greater in value than the total amount of such business transacted by it with or for members. All business transacted by any cooperative association for or on behalf of the United States or any agency or instrumentality thereof shall be disregarded in determining the volume of member and nonmember business transacted by such association. (June 15, 1929, c. 24, § 15 (a), 46 Stat. 18; June 16, 1933, c. 98, § 55, 48 Stat. 266; June 3, 1935, c. 164, § 12, 49 Stat. 317.)

(b) Speculation prohibited.—It shall be unlawful for the governor, or any officer or employee of the Farm Credit Administration [engaged in the administration of this subchapter] to speculate, directly or indirectly, in any agricultural commodity or product thereof, or in contracts relating thereto, or in the stock or membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any person violating this subdivision shall upon conviction thereof be fined not more than \$10,000, or imprisoned not more than ten years, or both. (June 15, 1929, c. 24, § 15 (b), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

“The governor” and “Farm Credit Administration” mentioned in the text were substituted for “any member” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(c) Confidential information: disclosure prohibited.—It shall be unlawful (1) for any cooperative association, stabilization corporation, clearing house association, or commodity committee, or (2) for any director, officer, employee, or member or person acting on behalf of any such association, corporation, or committee, to which or to whom information has been imparted in confidence by the administration, to disclose such information in violation of any regulation of the administration. Any such association, corporation, or committee, or director, officer, employee, or member thereof, violating this subdivision, shall be fined not more than \$5,000, or imprisoned not more than five years, or both. (June 15, 1929, c. 24, § 15 (c), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

§ 1141j (d) **Governmental publications; predictions as to cotton prices prohibited.**—The inclusion in any governmental report, bulletin, or other such publication hereafter issued or published of any prediction with respect to cotton prices is hereby prohibited. Any officer or employee of the United States who authorizes or is responsible for the inclusion in any such report, bulletin, or other publication of any such prediction, or who knowingly causes the issuance or publication of any such report, bulletin, or other publication containing any such prediction, shall, upon conviction thereof, be fined not less than \$500 or more than \$5,000, or imprisoned for not more than five years, or both: *Provided*, That this subdivision shall not apply to the Governor of the Farm Credit Administration when engaged in the performance of his duties herein provided. (June 15, 1929, c. 24, § 15 (d), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of the Farm Credit Administration” mentioned in the text was substituted for “members of the board,” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(e) **Separability clause.**—If any provision of this subchapter is declared unconstitutional, or the applicability thereof to any person, circumstance, commodity, or class of transactions with respect to any commodity is held invalid, the validity of the remainder of the subchapter and the applicability of such provision to other persons, circumstances, commodities, and classes of transactions shall not be affected thereby. (June 15, 1929, c. 24, § 15 (e), 46 Stat. 18.)

(f) **Citation of subchapter.**—This subchapter may be cited as the “Agricultural Marketing Act.” (June 15, 1929, c. 24, § 15 (f), 46 Stat. 18.)

(g) **“Agricultural commodity”; definition.**—As used in this subchapter, the term “agricultural commodity” includes, in addition to other agricultural commodities, crude gum (oleoresin) from a living tree, and the following products as processed by the original producer of the crude gum (oleoresin) from which derived: Gum spirits of turpentine and gum rosin, as defined in section 92 of Title 7 [U. S. Code]. (June 15, 1929, c. 24, § 15 (g), 46 Stat. 18; Mar. 4, 1931, c. 520, § 3, 46 Stat. 1550.)

SUBCHAPTER VIII.—REGIONAL AGRICULTURAL CREDIT CORPORATIONS

HISTORICAL NOTE

The Executive Order of March 27, 1933, set forth at the beginning of this chapter under "Introductory," transferred to the jurisdiction and control of the Farm Credit Administration the functions defined in section 5 (e) of the Order, as follows: "The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional agricultural credit corporations formed under section 201 (e) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof."

The section of the Emergency Relief and Construction Act of July 21, 1932, to which reference is made in the above quoted paragraph of the Executive Order, is contained in section 605 (e) of Title 15 [U. S. Code], and is also incorporated in this subchapter.

§ 1148 **Regional agricultural credit corporations; creation; capital; management; loans; rediscounts; supervision.**—The Reconstruction Finance Corporation is authorized to create in any of the twelve farm credit districts where it may deem the same to be desirable a regional agricultural credit corporation with a paid-up capital of not less than \$3,000,000, to be subscribed for by the Reconstruction Finance Corporation and paid for out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 602 of Title 15. Such corporations shall be managed by officers and agents to be appointed by the Farm Credit Administration under such rules and regulations as it may prescribe. Such corporations are hereby authorized and empowered to make loans or advances to farmers and stockmen, the proceeds of which are to be used for an agricultural purpose (including crop production), or for the raising, breeding, fattening, or marketing of livestock, to charge such rates of interest or discount thereon as in their judgment are fair and equitable, subject to the approval of the Farm Credit Administration, and to rediscount with the Reconstruction Finance Corporation and the various Federal reserve banks and Federal intermediate credit banks any paper that they acquire which is eligible for such purpose. All expenses incurred in connection with the operation of such corporations shall be supervised and paid by the Recon-

struction Finance Corporation under such rules and regulations as its board of directors may prescribe. (July 21, 1932, c. 520, § 201 (e), 47 Stat. 713; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

"Farm Credit Administration" mentioned in the text was substituted for "Reconstruction Finance Corporation" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this circular.

Pursuant to the Act of Feb. 24, 1938, 52 Stat. 79 [Public No. 432—75th Congress], the Act of March 8, 1938, 52 Stat. 107 [Public No. 442—75th Congress], and Executive Order No. 7848, dated March 22, 1938, the capital of the regional agricultural credit corporations is held by the Secretary of the Treasury, for and on behalf of the United States.

§ 1148a **Reduction of capital stock of regional agricultural credit corporation; revolving fund from stock proceeds.**—The Reconstruction Finance Corporation is authorized, with the approval of the Governor of the Farm Credit Administration, to reduce the capital of any Regional Agricultural Credit Corporation by such action as may be suitable for the purpose. The funds made available by any such reduction shall constitute a revolving fund, all or any part of which shall be available for use from time to time by the Reconstruction Finance Corporation for the purpose of increasing, with the approval of the Governor of the Farm Credit Administration, the capital of any Regional Agricultural Credit Corporation. (June 16, 1933, c. 98, § 84, 48 Stat. 273.)

§ 1148b **Additional powers of regional agricultural credit corporations.**—Each regional agricultural credit corporation, created under the authority of section 1148 of this title [201 (e) of the Emergency Relief and Construction Act of 1932] in addition to the powers granted prior to Aug. 19, 1937, shall have and, upon order or approval of the Farm Credit Administration, shall exercise the following rights, powers, and authority:

(a) *Places of transacting business.*—To conduct, transact, and operate its business in any State in the continental United States, in the District of Columbia, and in Puerto Rico.

(b) *Borrow money.*—To borrow money (other than by way of discount) from any other regional agricultural credit corporation, the Reconstruction Finance Corporation, or any Federal intermediate credit bank, and to give security therefor.

(c) *Loans.*—To lend any of its available funds to any other regional agricultural credit corporation at such rates of interest and upon such terms and conditions as may be approved by the Farm Credit Administration.

(d) *Sale to or purchase from other like corporations.*—To sell to or purchase from any other regional agricultural credit corporation or any corporation formed by consolidation or merger as provided in section 1148c of this title, any part of or all the assets of any such corporation, upon such terms and conditions as may be approved by the Farm Credit Administration, including the assumption of the liabilities of any such corporation, in whole or in part. (Aug. 19, 1937, c. 704, § 32, 50 Stat. 716.)

- § 1148c **Consolidation or merger—(a) Power of Farm Credit Administration.**—The Farm Credit Administration shall have the power and authority to order and effect the consolidation or merger of two or more regional agricultural credit corporations, on such terms and conditions as it shall direct.
- (b) Status of corporations formed by consolidation.**—The Farm Credit Administration is authorized to grant charters to, prescribe bylaws for, and fix the capital of, regional agricultural credit corporations which may be formed by the consolidation of two or more regional agricultural credit corporations, and to approve or prescribe such amendments to the charter and bylaws of any regional agricultural credit corporation as it may from time to time deem necessary. Corporations formed by the consolidation of two or more regional agricultural credit corporations, as herein provided, shall have all the rights, powers, authority, and exemptions; shall be subject to the same supervision and control; and shall have their expenses paid in the same manner as provided by law in respect to regional agricultural credit corporations organized under section 1148 of this title. (Aug. 19, 1937, c. 704, § 33, 50 Stat. 717.)

Capital of regional agricultural credit corporations formed by consolidation held by Secretary of the Treasury, see note to § 1148.

- § 1148d **Rights and powers unaffected by sections 1148b and 1148c.**—Nothing contained in sections 1148b and 1148c of this title shall be construed as limiting the rights, powers, and authority granted prior to August 19, 1937, to the regional agricultural credit corporations, the Farm Credit Administration, or the Governor thereof by any Acts of Congress or Executive orders. (Aug. 19, 1937, c. 704, § 34, 50 Stat. 717.)

CHAPTER 10.—LOCAL AGRICULTURAL-CREDIT CORPORATIONS, LIVESTOCK-LOAN COMPANIES, AND LIKE ORGANIZATIONS; LOANS TO INDIVIDUALS TO AID IN FORMATION OR TO INCREASE CAPITAL STOCK

§ 1401 **Authorization of loans by Governor of Farm Credit Administration; regulations.**—The Governor of the Farm Credit Administration is hereby authorized to make advances or loans to individuals, under such regulations as he may prescribe, for the purpose of assisting in forming local agricultural-credit corporations, livestock-loan companies, or like organizations, or of increasing the capital stock of such corporations, companies, or organizations qualified to do business with Federal intermediate credit banks, or to which such privileges may be extended. (Mar. 3, 1932, c. 70, § 1, 47 Stat. 60; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of the Farm Credit Administration” mentioned in the text was substituted for “Secretary of Agriculture” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this circular.

§ 1402 **(a) Limitation on amount of loans to individual stockholders.**—No loans shall be made to individual stockholders on the capital stock of, or to create or increase the capital stock of such corporation, company, or organization in an amount in excess of 75 per centum of the par value of the capital stock of such corporation, company, or organization owned by or proposed to be subscribed to by such individual. (Mar. 3, 1932, c. 70, § 2, 47 Stat. 60.)

(b) Approval of financial structure of corporation by Governor of Farm Credit Administration.—No loan shall be made upon the capital stock of any corporation until the Governor of the Farm Credit Administration shall find that the financial structure of such corporation is sound and unimpaired and by him approved, nor shall any loan be made upon the capital stock of such corporation until the management of such company shall be made known to and approved by the Governor, and the Governor shall have the right at any time to declare the indebtedness to the Government that may be created hereunder due whenever in his judgment the financial structure of the corporation shall become so impaired or the management becomes so unsatisfactory as to jeopardize the interests of the

Government. (Mar. 3, 1932, c. 70, § 2, 47 Stat. 60; Mar. 27, 1933, Ex. Or. 6084.)

"Governor of the Farm Credit Administration" and "Governor" mentioned in the text were substituted for "Secretary of Agriculture" and "Secretary," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this circular.

§ 1403 **Minimum paid-in capital stock required to warrant loans.**—No loan or advance shall be made to any individual upon the capital stock of or to create or increase the capital stock of any corporation, unless the paid-in capital stock of such corporation shall be at least \$10,000. (Mar. 3, 1932, c. 70, § 3, 47 Stat. 60.)

§ 1404 **Appropriations; revolving fund.**—To carry out the provisions of this chapter, including all expenses incurred thereunder, there are authorized to be appropriated, out of the unexpended balances of appropriations made to carry out the provisions of Public Resolution Numbered 112, Seventy-first Congress (46 Stat. 1032), as amended by the Interior Department Appropriation Act for the fiscal year ending June 30, 1932, and as amended by Public Resolution Numbered 120 (46 Stat. 1167), and out of the collections from loans made under Public Resolution Numbered 112, as so amended, a sum not exceeding \$10,000,000, which sum shall be paid into a revolving fund. Not to exceed 2 per centum of such fund may be used for expenses of administration. All moneys received from time to time upon the repayment of any advance or loan made pursuant to this chapter, together with the interest, shall be paid into the revolving fund and shall thereafter be available for the purposes and in the manner hereinbefore provided. (Mar. 3, 1932, c. 70, § 4, 47 Stat. 60.)

CHAPTER 14.—FEDERAL CREDIT UNIONS

§ 1751 **Citation of chapter.**—This chapter may be cited as the "Federal Credit Union Act". (June 26, 1934, c. 750, § 1, 48 Stat. 1216.)

Act of June 26, 1934, cited to the text, was entitled "An Act to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States."

§ 1752 **Definitions.**—A Federal credit union is hereby defined as a cooperative association organized in accordance with the provisions of this chapter for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes. When used in this chapter the term “Administration” means Farm Credit Administration, and the term “Governor” means the Governor thereof. (June 26, 1934, c. 750, § 2, 48 Stat. 1216.)

§ 1753 **Federal credit union organization.**—Any seven or more natural persons who desire to form a Federal credit union shall subscribe before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—

- (1) The name of the association.
- (2) The location of the proposed Federal credit union and the territory in which it will operate.
- (3) The names and addresses of the subscribers to the certificate and the number of shares subscribed by each.
- (4) The par value of the shares, which shall be \$5 each.
- (5) The proposed field of membership, specified in detail.
- (6) The term of the existence of the corporation, which may be perpetual.
- (7) The fact that the certificate is made to enable such persons to avail themselves of the advantages of this chapter.

Such organization certificate may also contain any provisions approved by the Governor for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders. (June 26, 1934, c. 750, § 3, 48 Stat. 1217.)

Act of December 6, 1937, c. 3, § 5, 51 Stat. 5, 29 U. S. C. 158a, provided as follows: “Provision by an employer of facilities for the operations of a Federal Credit Union on the premises of such employer shall not be deemed to be intimidation, coercion, interference, restraint or discrimination within the provisions of sections 7 and 8 of the National Labor Relations Act, approved July 5, 1935, or acts amendatory thereof.”

§ 1754 **Approval of organization certificate.**— Any such organization certificate shall be presented to the Governor for approval. Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein con-

tained, shall be vested with all of the powers and charged with all the liabilities conferred and imposed by this chapter upon corporations organized hereunder. Before any organization certificate is approved an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this chapter; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Governor it shall be the charter of the corporation and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. (June 26, 1934, c. 750, § 4, 48 Stat. 1217.)

§ 1755 **Fees.**—For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Governor, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. During December of each calendar year each Federal credit union shall pay to the Administration a fee of not to exceed \$10, to be fixed by the Governor, for the cost of supervision: *Provided, however,* That no such annual fee shall be payable by such an organization for the fractional part of the first calendar year during which it is formed. All such fees shall be deposited with the Treasurer of the United States for the account of the Administration and may be expended by the Governor for such administrative and other expenses incurred in carrying out the provisions hereof as he may determine to be proper, the purpose of such fees being to defray, as far as practicable, the administrative and supervisory costs incident to the carrying out of this chapter. (June 26, 1934, c. 750, § 5, 48 Stat. 1217.)

§ 1756 **Reports and examinations.**—Federal credit unions shall be under the supervision of the Governor, and shall make such financial reports to him (at least annually) as he may require. Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to, any person designated by the

Governor. The Governor shall fix a scale of examination fees to be paid by Federal credit unions, giving due consideration to the time and expense incident to such examinations, and to the ability of Federal credit unions to pay such fees, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of such examination. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section 1755 hereof, and shall be available for the purposes specified in said section 1755. (June 26, 1934, c. 750, § 6, 48 Stat. 1218; Dec. 6, 1937, c. 3, § 1, 51 Stat. 4.)

§ 1757 **Powers.**—A Federal credit union shall have succession in its corporate name during its existence and shall have power—

(1) To make contracts.
(2) To sue and be sued.
(3) To adopt and use a common seal and alter the same at pleasure.

(4) To purchase, hold, and dispose of property necessary and incidental to its operations.

(5) To make loans with maturities not exceeding two years to its members for provident or productive purposes upon such terms and conditions as this chapter and the bylaws provide and as the credit committee may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances (inclusive of all charges incident to making the loan): *Provided*, That no loans to a director, officer, or member of a committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof. No director, officer, or committee member shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day.

(6) To receive from its members payments on shares.

(7) To invest its funds (a) in loans exclusively to members; (b) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; (c) in accordance with rules and regulations prescribed by the Governor, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; (d) and in shares or accounts of Federal savings and loan associations.

(8) To make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business.

(9) To borrow (from any source) in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: *Provided*, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital, subject to such rules and regulations as may be prescribed by the Governor.

(10) To fine members, in accordance with the by-laws, for failure to meet promptly their obligations to the Federal credit union.

(11) To impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or fines payable by him.

(12) To exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

(June 26, 1934, c. 750, § 7, 48 Stat. 1218; Dec. 6, 1937, c. 3, § 2, 51 Stat. 4.)

§ 1758 **Bylaws.**—In order to simplify the organization of Federal credit unions the Governor shall, on June 26, 1934, cause to be prepared a form of organization certificate and a form of bylaws, consistent with this chapter, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Governor for his approval. (June 26, 1934, c. 750, § 8, 48 Stat. 1219.)

§ 1759 **Membership.**—Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Governor, as may be elected to membership and as shall, each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that Federal credit union membership shall be limited to groups having a common bond of occupation, or association, or to groups within a well-

defined neighborhood, community, or rural district.
(June 26, 1934, c. 750, § 9, 48 Stat. 1219.)

§ 1760 **Members' meetings.**—The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote. (June 26, 1934, c. 750, § 10, 48 Stat. 1219.)

§ 1761 **Management—(a) Generally.**—The business affairs of a Federal credit union shall be managed by a board of not less than five directors, a credit committee of not less than three members, and a supervisory committee of three members (a majority of whom shall not be directors) all to be elected by the members (and from their number) at their annual meeting, and to hold office for such terms, respectively, as the bylaws may provide. A record of the names and addresses of the members of the board and committees and officers shall be filed with the Administration within ten days after their election. No member of the board or of either committee shall, as such be compensated.

(b) Officers.—At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, a vice president, a clerk, and a treasurer, who shall be the executive officers of the corporation and may be compensated for their services to such extent as the bylaws may provide. The offices of clerk and treasurer may be held by the same person. The duties of the officers shall be as determined by the bylaws, except that the treasurer shall be the general manager of the corporation. Before the treasurer shall enter upon his duties he shall give bond with good and sufficient surety, in an amount and character to be determined from time to time by the board of directors, conditioned upon the faithful performance of his trust.

(c) Directors.—The board of directors shall meet at least once a month and shall have the general

§ 1761 direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things they shall act upon applications for membership; fix the amount and character of the surety bond required of any officer having custody of funds; recommend the declaration of dividends; fill vacancies in the board and in the credit committee until successors elected at the next annual meeting have qualified; have charge of investments other than loans to members; determine from time to time the maximum number of shares that may be held by any individual; and, subject to the limitations of this chapter, determine the interest rates on loans and the maximum amount that may be loaned with or without security to any member.

(d) Credit committee.—The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month (of which meetings due notice shall be given to members of the committee by the treasurer) to consider applications for loans. No loan shall be made unless approved by a majority of the entire committee and by all of the members of the committee who are present at the meeting at which the application is considered. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan in excess of \$50 shall be made without adequate security and no loan shall be made to any member in excess of \$200 or 10 per centum of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater. For the purposes of this subdivision an assignment of shares or the endorsement of a note shall be deemed security.

(e) Supervisory committee.—The supervisory committee shall make, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; shall make an annual audit and a report to be submitted at the annual meeting of the corporation; and, by a unanimous vote, may suspend any officer of the corporation, or any member of the credit committee or of the board of directors until the next members' meeting, which said meeting, however, shall be held within seven days of said suspension and at which meeting said suspension shall be acted upon by the members; and, by a majority vote, may

call a special meeting of the shareholders to consider any violation of this chapter, the charter, or of the bylaws, or any practice of the corporation deemed by the committee to be unsafe or unauthorized. The said committee shall fill vacancies in its own membership until successors to be elected at the next annual meeting have qualified. The supervisory committee shall cause the pass-books and accounts of the members to be verified with the records of the treasurer from time to time and not less frequently than once every two years. (June 26, 1934, c. 750, § 11, 48 Stat. 1219.)

§ 1762 **Reserves.**—All entrance fees and fines provided by the bylaws and 20 per centum of the net earnings of each year, before the declaration of any dividends, shall be set aside, subject to terms and conditions specified in the bylaws, as a reserve fund against possible bad loans. (June 26, 1934, c. 750, § 12, 48 Stat. 1221.)

§ 1763 **Dividends.**—At the annual meeting a dividend may be declared from the remaining net earnings on recommendation of the board of directors, which dividend shall be paid on all paid-up shares outstanding at the end of the preceding fiscal year. Shares which become fully paid up during such year shall be entitled to a proportional part of said dividend calculated from the 1st day of the month following such payment in full. (June 26, 1934, c. 750, § 13, 48 Stat. 1221.)

§ 1764 **Expulsion and withdrawal.**—A member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after an opportunity has been given him to be heard. Withdrawal or expulsion of a member shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in the manner specified in the bylaws. (June 26, 1934, c. 750, § 14, 48 Stat. 1221.)

§ 1765 **Minors.**—Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. The name of the bene-

ficiary shall be disclosed to the Federal credit union.
(June 26, 1934, c. 750, § 15, 48 Stat. 1221.)

§ 1766 **Certain powers of Governor.**—(a) The Governor may prescribe rules and regulations for the administration of this chapter (including, but not by way of limitation, the merger, consolidation, and/or dissolution of corporations organized under this chapter).

(b) The Governor may suspend or revoke the charter of any Federal credit union upon his finding that the organization is bankrupt or insolvent or has violated any provisions of its charter, its bylaws, or of this chapter, or of any regulations issued thereunder.

(c) The Governor is hereby authorized and empowered to execute any and all functions and perform any and all duties vested in him hereby, through such persons as he shall designate or employ; and he may delegate to any person or persons, including any institution operating under the general supervision of the Administration, the performance and discharge of any authority, power, or function vested in him by this chapter.

(d) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Governor.

(e) The Governor is hereby authorized to make investigations and to conduct researches and studies of the problems of persons of small means in obtaining credit at reasonable rates of interest, and of the methods and benefits of cooperative saving and lending among such persons. He is further authorized to make reports of such investigations and to publish and disseminate the same. (June 26, 1934, c. 750, § 16, 48 Stat. 1221; Dec. 6, 1937, c. 3, § 3, 51 Stat. 4.)

§ 1767 **Fiscal agents and depositories.**—Each Federal credit union organized under this chapter, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States, including the issue, sale, redemption or repurchase of bonds, notes,

Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes the Governor shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury. (June 26, 1934, c. 750, § 17, 48 Stat. 1222.)

§ 1768 **Taxation.**—The Federal credit unions organized hereunder, their property, their franchises, capital, reserves, surpluses, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such Federal credit unions shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. Nothing herein contained shall prevent holdings in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders thereof in assessing taxes imposed by authority of the State or political subdivision thereof in which the Federal credit union is located: *Provided, however,* That the duty or burden of collecting or enforcing the payment of such tax shall not be imposed upon any such Federal credit union and the tax shall not exceed the rate of taxes imposed upon holdings in domestic credit unions. (June 26, 1934, c. 750, § 18, 48 Stat. 1222; Dec. 6, 1937, c. 3, § 4, 51 Stat. 4.)

§ 1769 **Appropriation for administration.**—Not to exceed \$50,000 of the fund available to the Governor under section 1404 of this title, for expenses of administration in connection with loans made thereunder to aid in the establishment of agricultural credit corporations, is hereby made available also for administrative expenses in administering this chapter. (June 26, 1934, c. 750, § 19, 48 Stat. 1222.)

§ 1770 **Separability of provisions; right to alter, amend, or repeal chapter.**—(a) If any provision of this chapter, or the application thereof to any person or circumstance, is held invalid, the remainder of the chapter, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this chapter or any part thereof, or any charter issued pursuant to the provisions of this chapter, is expressly reserved. (June 26, 1934, c. 750, § 20, 48 Stat. 1222.)

§ 1771 **Allotment of space in Federal buildings.**—Upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this chapter, the membership of which is composed exclusively of Federal employees and members of their families, which application shall be addressed to the officer or agency of the United States charged with the allotment of space in the Federal buildings in the community or district in which said credit union or Federal credit union does business, such officer or agency may in his or its discretion allot space to such credit union if space is available without charge for rent or services. (June 26, 1934, c. 750, § 21; July 9, 1937, c. 471, 50 Stat. 487.)

7 U. S. C. **CHAPTER 18.—COOPERATIVE MARKETING ACT**

§ 451 **Division of cooperative marketing; definitions.**—When used in this chapter the term “agricultural products” means agricultural, horticultural, viticultural, and dairy products, livestock and the products thereof, the products of poultry and bee raising, the edible products of forestry, and any and all products raised or produced on farms and processed or manufactured products thereof, transported or intended to be transported in interstate and/or foreign commerce. (July 2, 1926, c. 725, § 1, 44 Stat. 802.)

§ 452 **Establishment of division.**—The Governor of the Farm Credit Administration is hereby authorized and directed to establish a division of coopera-

tive marketing with suitable personnel in the Farm Credit Administration. Such division shall be under the direction and supervision of the Governor of the Farm Credit Administration. (July 2, 1926, c. 725, § 2, 44 Stat. 802; Oct. 1, 1929, Ex. Or. 5200; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of Farm Credit Administration” and “Farm Credit Administration” mentioned in the text were substituted for “Secretary of Agriculture” and “Department of Agriculture,” respectively, pursuant to the Executive Orders cited thereto, which are set out in full at the beginning of this circular.

§ 453 **Authority and duties of division.**—(a) The division shall render service to associations of producers of agricultural products, and federations and subsidiaries thereof, engaged in the cooperative marketing of agricultural products, including processing, warehousing, manufacturing, storage, the cooperative purchasing of farm supplies, credit, financing, insurance, and other cooperative activities.

(b) The division is authorized—

(1) To acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries.

(2) To conduct studies of the economic, legal, financial, social, and other phases of cooperation, and publish the results thereof. Such studies shall include the analyses of the organization, operation, financial, and merchandising problems of cooperative associations.

(3) To make surveys and analyses if deemed advisable of the accounts and business practices of representative cooperative associations upon their request; to report to the association so surveyed the results thereof; and with the consent of the association so surveyed to publish summaries of the results of such surveys, together with similar facts, for the guidance of cooperative associations and for the purpose of assisting cooperative associations in developing methods of business and market analysis.

(4) To confer and advise with committees or groups of producers, if deemed advisable, that may be desirous of forming a cooperative association and to make an economic survey and analysis of the facts surrounding the production and marketing of the agricultural product or products which the association, if formed, would handle or market.

(5) To acquire from all available sources information concerning crop prospects, supply, demand, current receipts, exports, imports, and prices of the agricultural products handled or marketed by cooperative associations, and to employ qualified commodity marketing specialists to summarize and analyze this information and disseminate the same among cooperative associations and others.

(6) To promote the knowledge of cooperative principles and practices and to cooperate, in promoting such knowledge, with educational and marketing agencies, cooperative associations, and others.

(7) To make such special studies, in the United States and foreign countries, and to acquire and disseminate such information and findings as may be useful in the development and practice of cooperation. (July 2, 1926, c. 725, § 3, 44 Stat. 802.)

§ 454 **Advisers to counsel with Governor of the Farm Credit Administration; expenses and subsistence.**—The Governor of the Farm Credit Administration is authorized, in his discretion, to call advisers to counsel with him and/or his representatives relative to specific problems of cooperative marketing of farm products or any other cooperative activity. Any person, other than an officer, agent, or employee of the United States, called into conference, as provided for in this section, may be paid actual transportation expenses and not to exceed \$10 per diem to cover subsistence and other expenses while in conference and en route from and to his home. (July 2, 1926, c. 725, § 4, 44 Stat. 803; Oct. 1, 1929, Ex. Or. 5200; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of Farm Credit Administration” mentioned in the text was substituted for “Secretary of Agriculture” pursuant to the Executive Orders cited thereto, which are set out in full at the beginning of this circular.

§ 455 **Dissemination of crop, market, etc., information by cooperative marketing associations.**—Persons engaged, as original producers of agricultural products, such as farmers, planters, ranchmen, dairymen, nut or fruit growers, acting together in associations, corporate or otherwise, in collectively processing, preparing for market, handling, and marketing in interstate and/or foreign commerce such products of persons so engaged, may acquire, exchange, interpret, and disseminate past,

present, and prospective crop, market, statistical, economic, and other similar information by direct exchange between such persons, and/or such associations or federations thereof, and/or by and through a common agent created or selected by them. (July 2, 1926, c. 725, § 5, 44 Stat. 803.)

§ 456 **Rules and regulations; appointment, removal, and compensation of employees; expenditures; appropriations.**—The Governor of the Farm Credit Administration may make such rules and regulations as may be deemed advisable to carry out the provisions of this chapter and may cooperate with any department or agency of the Government, any State, Territory, District, or possession, or department, agency, or political subdivision thereof, or any person; and may call upon any other Federal department, board, or commission for assistance in carrying out the purposes of this chapter; and shall have the power to appoint, remove, and fix the compensation of such officers and employees not in conflict with existing law and make such expenditure for rent, outside the District of Columbia, printing, telegrams, telephones, books of reference, books of law, periodicals, newspapers, furniture, stationery, office equipment, travel, and other supplies and expenses as shall be necessary to the administration of this chapter in the District of Columbia and elsewhere, and there is hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, such sums as may be necessary after the fiscal year 1927, for carrying out the purposes of this chapter. (July 2, 1926, c. 725, § 6, 44 Stat. 803; Oct. 1, 1929, Ex. Or. 5200; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of Farm Credit Administration” mentioned in the text was substituted for “Secretary of Agriculture” pursuant to the Executive Orders cited thereto, which are set out in full at the beginning of this circular.

§ 457 **Partial invalidity of chapter.**—If any provision of this chapter is declared unconstitutional or the applicability thereof to any person or circumstance is held invalid, the validity of the remainder of the chapter and the applicability of such provision to other persons and circumstances shall not be affected thereby, and nothing contained in this chapter is intended, nor shall be construed, to modify or repeal any of the provisions of sections 291 and 292 of this title [Title 7, U. S. Code]. (July 2, 1926, c. 725, § 7, 44 Stat. 803.)

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LAWS

ADMINISTERED BY THE FARM CREDIT ADMINISTRATION

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FARM CREDIT ADMINISTRATION
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C.

CIRCULAR 20 *Revised*

LAWS

ADMINISTERED BY THE

Farm Credit Administration

AS AMENDED TO JAN. 1, 1949

AS COMPILED IN THE UNITED STATES CODE



CIRCULAR 20

Revised

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM CREDIT ADMINISTRATION

January 1949

Editorial Note

This circular contains all general provisions, by acts of Congress and Executive Orders, relating to the establishment and operation of the Farm Credit Administration.

This circular also contains all provisions of the Federal Farm Loan Act, its amendments and supplements, relating to Federal land banks, joint stock land banks, national farm loan associations, and Federal intermediate credit banks; the provisions of the Emergency Farm Mortgage Act of 1933, as amended, relative to loans to farmers by the Land Bank Commissioner; the provisions of the Federal Farm Mortgage Corporation Act, as amended; the provisions of the Farm Credit Act of 1933, as amended, relating to production credit corporations, production credit associations, and banks for cooperatives; and provisions relating to regional agricultural credit corporations.

Unless otherwise specifically indicated in footnotes to individual sections, the provisions of the acts of Congress and of the Executive Orders contained herein are set forth in accordance with the codification thereof in the United States Code, 1946 Edition, and Supplement I thereto (Title 12, Chapters 7, 10; Title 7, Chapter 18), except for the sections of Title 18, which are taken from the Act of June 25, 1948, 62 Stat. 683.

At the right margin of this circular, just above each section which was incorporated in the Federal Farm Loan Act, either originally or by amendment thereto, is printed the number of the Federal Farm Loan Act section in which the provisions are contained. At the end of each section is a parenthetical reference to the act of Congress from which the provisions were derived, to any subsequent amendatory acts, and, wherever a section has been affected by either or both of the Executive Orders set forth at the beginning of this circular, to such Order or Orders.

The sections, chapters, and subchapters into which this circular is divided are numbered to correspond with the same material as it appears in the Code.

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Title 12.—Banks and Banking

CHAPTER 7.—FARM CREDIT ADMINISTRATION

INTRODUCTORY

EXECUTIVE ORDER No. 6084

REORGANIZING AGRICULTURAL CREDIT AGENCIES OF THE UNITED STATES

Whereas sections 401 and 403 of Title IV of Part II of the Legislative Appropriation Act, fiscal year 1933, as amended by an act of Congress approved March 3, 1933, provide:

SEC. 401. The Congress hereby declares that a serious emergency exists by reason of the general economic depression; that it is imperative to reduce drastically governmental expenditures; and that such reduction may be accomplished in great measure by proceeding immediately under the provisions of this title.

Accordingly, the President shall investigate the present organization of all executive and administrative agencies of the Government and shall determine what changes therein are necessary to accomplish the following purposes:

(a) To reduce expenditures to the fullest extent consistent with the efficient operation of the Government;

(b) To increase the efficiency of the operations of the Government to the fullest extent practicable within the revenues;

(c) To group, coordinate, and consolidate executive and administrative agencies of the Government, as nearly as may be, according to major purposes;

(d) To reduce the number of such agencies by consolidating those having similar functions under a single head, and by abolishing such agencies and/or such functions thereof as may not be necessary for the efficient conduct of the Government;

(e) To eliminate overlapping and duplication of effort; and

(f) To segregate regulatory agencies and functions from those of an administrative and executive character.

SEC. 403. Whenever the President, after investigation, shall find and declare that any regrouping, consolidation, transfer, or abolition of any executive agency or agencies and/or the functions thereof is necessary to accomplish any of the purposes set forth in section 401 of this title, he may by Executive order—

(a) Transfer the whole or any part of any executive agency and/or the functions thereof to the jurisdiction and control of any other executive agency;

(b) Consolidate the functions vested in any executive agency; or

(c) Abolish the whole or any part of any executive agency and/or the functions thereof; and

(d) Designate and fix the name and functions of any consolidated activity or executive agency and the title, powers, and duties of its

executive head; except that the President shall not have authority under this title to abolish or transfer an executive department and/or all the functions thereof.

Now, therefore, pursuant to the authority so vested in me, and after investigation, it is found and declared that the following changes in executive agencies and the functions thereof are necessary to accomplish the purposes set forth in section 401 above recited, and it is hereby ordered that:

(1) The functions of the Secretary of Agriculture as a member of the Federal Farm Board, and the offices of the appointed members of the Federal Farm Board, except the office of the member designated as chairman thereof, are abolished.

(2) The name of the Federal Farm Board is changed to the Farm Credit Administration.

(3) The name of the office of Chairman of the Federal Farm Board is changed to Governor of the Farm Credit Administration, and he is vested with all the powers and duties of the Federal Farm Board.

(4) The functions of the Secretary of the Treasury as a member of the Federal Farm Loan Board, and the offices of the appointed members of the Federal Farm Loan Board, except the office of the member designated as farm loan commissioner, are abolished, and all the powers and functions of the Federal Farm Loan Board are transferred to and vested in the farm loan commissioner, subject to the jurisdiction and control of the Farm Credit Administration as herein provided.

(5) There are transferred to the jurisdiction and control of the Farm Credit Administration:

(a) The Federal Farm Loan Bureau and the functions thereof; together with the functions of the Federal Farm Loan Board, including the functions of the Farm Loan Commissioner;

(b) The functions of the Treasury Department and the Department of Agriculture, and the Secretaries thereof, under Executive authorizations to give aid to farmers, dated July 26, 1918, and any extensions or amendments thereof;

(c) The functions of the Secretary of Agriculture under all provisions of law relating to the making of advances or loans to farmers, fruit growers, producers and owners of livestock and crops, and to individuals for the purpose of assisting in forming or increasing the capital stock of agricultural-credit corporations, livestock-loan companies, or like organizations, except Public Resolution No. 74, Seventieth Congress, approved December 21, 1928, providing for the Puerto Rican Hurricane Relief Commission;

(d) The Crop Production Loan Office and the Seed Loan Office of the Department of Agriculture, and the functions thereof;

(e) The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional agricultural credit corporations formed under section 201 (c) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof.

(6) The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions.

(7) The records, property (including office equipment), and personnel used and employed in the execution of the functions hereinbefore transferred are transferred to the jurisdiction and control of the Farm Credit Administration.

(8) The sum of \$2,000,000 of the unexpended balances of appropriations made to the Federal Farm Board by Public Resolutions No. 43 and No. 51 of the Seventy-second Congress shall be impounded and returned to the Treasury, which sum shall be in addition to the other savings to be effected by the Farm Credit Administration as a result of this order.

(9) The unexpended balances of appropriations to the Secretary of Agriculture, the Federal Farm Loan Bureau, and the Federal Farm Board for salaries, expenses, and all other administrative expenditures in the execution of the functions herein vested in the Farm Credit Administration shall be transferred to and vested in the Farm Credit Administration as a single fund for its use for salaries, expenses, and all other administrative expenditures for the execution of any or all of such functions without restriction as to the particular functions for the execution of which the same were originally appropriated. All other appropriations, allotments, and other funds available for use in connection with the functions and executive agencies hereby transferred and consolidated are hereby transferred to and vested in the Farm Credit Administration, and shall be available for use by it, for the same purposes as if the Farm Credit Administration were named in the law or authority providing such appropriations, allotments, or other funds.

(10) All power, authority, and duties conferred by law upon any officer, executive agency, or head thereof, from which or from whom transfer is hereinbefore made, in relation to the executive agency or function transferred, are transferred to and vested in the Governor of the Farm Credit Administration.

(11) The Governor of the Farm Credit Administration is directed to dismiss, furlough, transfer, or make other appropriate disposition of such of the officers and employees under his jurisdiction and control as are not required for the proper execution of the functions of the Farm Credit Administration.

(12) The Governor of the Farm Credit Administration is authorized to execute any and all functions and perform any and all duties vested in him through such persons as he shall by order designate or employ.

(13) The Governor of the Farm Credit Administration, by order or rules and regulations, may consolidate, regroup, and transfer offices, bureaus, activities, and functions in the Farm Credit Admin-

istration, so far as may be required to carry out the purposes to which this order is directed, and may fix or change the names of such offices, bureaus, and activities and the duties, powers, and titles of their executive heads.

This order shall take effect upon the sixty-first calendar day after its transmission to Congress unless otherwise determined in accordance with the provisions of section 407 of the act cited above, as amended.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,

March 27, 1933.

All functions, powers and duties of the Governor of the Farm Credit Administration which relate to the making, administration, and liquidation of all loans identified or referred to in sections 5 (b), 5 (c), and 5 (d) of this Executive Order were abolished by act Aug. 14, 1946, ch. 964, § 2 (a) (2), 60 Stat. 1062, set out in note under section 1001 of Title 7. Regarding section 5 (e) of the Executive Order, see note preceding section 1148 of title 12.

EXECUTIVE ORDER No. 5200

I, Herbert Hoover, President of the United States of America, under the authority conferred upon me by paragraph (e) of Section 13 of Agricultural Marketing Act approved June 15, 1929, entitled "An Act To establish a Federal Farm Board to promote the effective merchandizing of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries", and by virtue of all other powers thereto me enabling, do hereby transfer from the Department of Agriculture to the jurisdiction and control of Federal Farm Board the whole of the Division of Cooperative Marketing in the Bureau of Agricultural Economics of the Department of Agriculture, all functions pertaining to the work and services of such division, its records, property, including office equipment, personnel, and unexpended balances of appropriation, pertaining to such work or services. The Division of Cooperative Marketing above referred to is created and authorized by "An Act To create a division of cooperative marketing in the Department of Agriculture; to provide for the acquisition and dissemination of information pertaining to cooperation; to promote the knowledge of cooperative principles and practices; to provide for calling advisers to counsel with the Secretary of Agriculture on cooperative activities; to authorize cooperative associations to acquire, interpret, and disseminate crop and market information, and for other purposes", approved July 2, 1926. The transfer above mentioned shall be effective from and including October 1st, 1929.

HERBERT HOOVER.

THE WHITE HOUSE,

October 1, 1929.

Farm Credit Administration, Federal Farm Mortgage Corporation, and Commodity Credit Corporation, and their functions and activities, together with their respective personnel, records, and property were transferred to Department of Agriculture by Reorg. Plan No. I, § 401, effective July 1, 1939, 4 F. R. 2730,

53 Stat. 1429, set out in note under section 133t of Title 5, Executive Departments and Government Officers and Employees.

The Farm Credit Administration was consolidated with other agencies into the Food Production Administration of the Department of Agriculture by Ex. Or. No. 9280, Dec. 5, 1942, 7 F. R. 10179, set out following section 601 of Appendix to Title 50; and reverted to its former status as a separate agency of the Department of Agriculture under Ex. Or. No. 9322, Mar. 26, 1943, 8 F. R. 3807, as amended by Ex. Or. No. 9334, Apr. 19, 1943, 8 F. R. 5423; Ex. Or. No. 9392, Oct. 28, 1943, 8 F. R. 14783, set out following section 601 of Appendix to Title 50.

FARM CREDIT ADMINISTRATION; GENERAL ADMINISTRATIVE PROVISIONS

12 U. S. C., § 636

Farm Credit Administration; provisions relating to organization.—The Governor of the Farm Credit Administration is authorized, in carrying out the powers and duties now or hereafter vested in him or the Farm Credit Administration by law or under any Executive order made under title IV of part II of the Legislative Appropriation Act of 1933, as amended, to establish, and to fix the powers and duties of, such divisions, agencies, corporations, and instrumentalities as he may deem necessary to the efficient functioning of the Farm Credit Administration and the successful execution of the powers and duties so vested in the Governor and the Farm Credit Administration. This section shall not be construed to restrict the authority of the President under title IV of such Act, as amended: *Provided*, That no salary or compensation shall be paid to any officer, agent, or other person employed under this section in excess of \$10,000 per annum. (May 12, 1933, c. 25, § 40, 48 Stat. 51.)

See note preceding this section.

12 U. S. C., § 637

Land Bank Commissioner; functions under Executive Orders.—All functions, powers, authority, and duties conferred upon or vested in the Land Bank Commissioner by sections 347, 636, 637, 723, 771, 781, 810, 963a, 992, 993, and 1016–1019 of this title; section 609c of Title 15, and sections 403 and 404 of Title 43 shall be held and exercised by him subject to all the terms and conditions in any Executive Order heretofore transmitted to Congress pursuant to title IV of part II of the Legislative Appropriation Act of 1933, as amended, the same as if such functions, powers, authority, and duties were specifically named in such Executive Order or orders. (May 12, 1933, c. 25, § 39, 48 Stat. 50; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

12 U. S. C., § 638

Commissioners in Farm Credit Administration; designation; appointment; salaries and expenses—(a) Land Bank Commissioner.—After June 16, 1933, the office of Farm Loan Commissioner shall be known as the office of the Land Bank Commissioner and the Farm Loan Commissioner shall be known as the Land Bank Commissioner. The provisions of section 653 of this title, prescribing a

term of office of eight years, shall not apply to incumbents after June 16, 1933, appointed to the office of Land Bank Commissioner.

(b) Production Credit Commissioner; Cooperative Bank Commissioner; Intermediate Credit Commissioner.—There shall be in the Farm Credit Administration three commissioners who shall be known, respectively, as the Production Credit Commissioner, the Cooperative Bank Commissioner, and the Intermediate Credit Commissioner. Such commissioners shall be appointed by the President, by and with the advice and consent of the Senate. They shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. Such commissioners shall perform such duties as may be assigned to them by law or by the governor of the Farm Credit Administration. (June 16, 1933, c. 98, § 80, 48 Stat. 273.)

See secs. 652–655 for provisions relative to eligibility, appointment, traveling expenses, etc., of Land Bank Commissioner.

12 U. S. C., § 639

Governor of Farm Credit Administration; supplementary grant of powers.—The authority and powers conferred upon the governor under the Farm Credit Act of 1933 shall not be construed to be in substitution for authority and powers conferred upon him under existing law but shall be construed to be supplementary to such authority and powers. (June 16, 1933, c. 98, § 82, 48 Stat. 273.)

The Farm Credit Act of 1933, act June 16, 1933, cited to text, has been incorporated into the code as sections 637–640, 653, 659, 674, 677a, 694, 723, 744a, 771, 781, 791, 823 note, 874, 876, 878–880, 884, 952, 963a, 964, 971, 972, 983, 987, 992, 1016–1018, 1022, 1031, 1124, 1131 to 1131g–1, 1131h, 1131i, 1134–1134m, 1138–1138f, 1141c, 1141d, 1141e, 1141f, 1141j, 1148a, and 1151a of this title, and section 610 of Title 7, Agriculture.

12 U. S. C., § 640

Seal of Farm Credit Administration.—The Farm Credit Administration shall have a seal, as adopted by the governor, which shall be judicially noticed. (June 16, 1933, c. 98, § 85, 48 Stat. 273.)

Farm Credit Administration was transferred to the Department of Agriculture. See note preceding Section 636 of this Title.

DISTRICT ORGANIZATIONS UNDER SUPERVISION OF FARM CREDIT ADMINISTRATION; FARM CREDIT DISTRICTS AND FARM CREDIT BOARDS

12 U. S. C., § 640a

Farm credit districts created.—There shall be twelve districts in the continental United States, excluding Alaska, which shall be known as farm credit districts, and may be designated by number. The boundaries of the twelve Federal land bank districts existing as of August 19, 1937, shall be the boundaries of the respective farm credit districts. Such boundaries may be readjusted from time to time in the discretion of the Farm Credit Administration, provided that said districts shall be apportioned with due regard to the farm credit needs of the country and no such district shall contain a fractional part of any State. The designations “Federal land bank district” and “land bank district” wherever used in the Federal Farm Loan Act, or in any Act amendatory thereof or supplementary thereto, are changed to

“farm credit district” and shall after August 19, 1937, be deemed to refer to the farm credit districts provided for in this section. (Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

Act August 19, 1937, c. 704, § 40, 50 Stat. 718, provided as follows: “Sec. 40 (a). If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provisions to other persons or circumstances shall not be affected thereby. (b) The right to alter, amend, or repeal this Act is hereby expressly reserved.”

12 U. S. C., § 640b

Farm credit boards; members.—There shall be in each farm credit district a farm credit board, which shall be selected as specified in sections 640b–640g of this title and shall be composed of seven members. Each farm credit board shall include in its title the name of the city in which the Federal land bank, Federal intermediate credit bank, production credit corporation, and regional bank for cooperatives of the district are located. Three of the members of said board shall be known as elected directors of whom one shall be chosen by national farm loan associations and borrowers through agencies, one shall be chosen by production credit associations of the district, and one shall be chosen by cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives in the district. Three of the seven members shall be known as district directors, of whom two shall be appointed by the Governor of the Farm Credit Administration and one, who shall be known as the third district director, shall be chosen as provided in section 640d of this title. The seventh member of such board shall be known as director at large and shall be appointed by the Governor of the Farm Credit Administration. (Aug. 19, 1937, c. 704, § 5 (b), 50 Stat. 704.)

12 U. S. C., § 640c

Same; initial board to be composed of Federal land bank directors; successors.—The directors of the Federal land bank of each district who are in office on August 19, 1937, shall constitute the farm credit board of the district and shall serve as members thereof for the remaining portions of the terms for which they were respectively elected or appointed as directors of the bank. Except as otherwise provided by section 640a–640k of this title, the successor to each original member of the farm credit board shall be selected in the manner in which such member was selected as a director of the Federal land bank. (Aug. 19, 1937, c. 704, § 5 (c), 50 Stat. 704.)

12 U. S. C., § 640d

Same; selection of third district director.—Each third district director shall be selected as follows: Each national farm loan association and borrower through agencies in the district shall nominate, in the manner provided in section 640e of this title for the nomination of candidates for elected directors, one candidate for such director, and from the three persons having the greatest number of votes as nominees the Governor of the Farm Credit Administration shall appoint such director. No third district director who is removed from office pursuant to section 831 (h) of this title may be nominated to succeed himself. (Aug. 19, 1937, c. 704, § 5 (d), 50 Stat. 704.)

12 U. S. C., § 640e

Same; nomination of elected directors.—At least two months before an election of an elected director the Farm Credit Administration shall cause notice in writing to be sent to those entitled to nominate candidates for such elected director. In the case of an election of a director by national farm loan associations and borrowers through agencies, such notice shall be sent to all national farm loan associations and borrowers through agencies in the district; in the case of an election by production credit associations, such notice shall be sent to all production credit associations in the district; and in the case of an election by cooperatives which are stockholders or subscribers to the guaranty fund of the bank for cooperatives of the district, such notice shall be sent to all cooperatives which are stockholders or subscribers to the guaranty fund at the time of sending notice. After receipt of such notice those entitled to nominate the director shall forward nominations of residents of the district to the Farm Credit Administration. The Farm Credit Administration shall, from the nominations received within thirty days after the sending of such notice, prepare a list of candidates for such elected director consisting of the ten nominees receiving the highest number of votes. (Aug. 19, 1937, c. 704, § 5 (e), 50 Stat. 705.)

12 U. S. C., § 640f

Same; election of elected directors.—At least one month before the election of an elected director the Farm Credit Administration shall mail to each person or organization entitled to elect the elected director the list of the ten candidates nominated in accordance with section 640e of this title. In the case of an election of a director by national farm loan associations and borrowers through agencies, the directors of each farm loan association shall cast the vote of such association for one of the candidates on the list. In voting under sections 640a–640k of this title each such associations shall be entitled to cast a number of votes equal to the number of stockholders of such association and each borrower through agencies shall be entitled to cast one vote. In voting under sections 640a–640k of this title each production credit association shall be entitled to cast a number of votes equal to the number of the class B stockholders of such association. In voting under said sections each cooperative which is a holder of stock in, or a subscriber to the guaranty fund of, the bank for cooperatives shall be entitled to cast one vote. The votes shall be forwarded to the Farm Credit Administration and no vote shall be counted unless received by it within thirty days after the sending of such list of candidates. In case of a tie the Farm Credit Administration shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective voters, as counted, shall be tabulated and preserved and shall be subject to examination by any candidate for at least one year after the result of the election is announced. (Aug. 19, 1937, c. 704, § 5 (f), (50 Stat. 705.)

12 U. S. C., § 640g

Same; term of office; vacancies.—The terms of office of all directors shall be three years. Any vacancies that may occur in the farm credit board shall be filled for the unexpired term in the manner provided in sections 640b–640f of this title for the original selection of such directors. (Aug. 19, 1937, c. 704, § 5 (g), 50 Stat. 705.)

12 U. S. C., § 640h

Same; general qualifications of members.—Members of each farm credit board shall have been, for at least two years, residents of the district for which they are appointed or elected. From and after August 19, 1937, no person shall be eligible for election or appointment as a member of any district farm credit board, and no person elected or appointed after August 19, 1937, as a member of any district farm credit board shall be eligible to continue to serve as such, if in either case said person is an officer or employee of any Federal land bank, Federal intermediate credit bank, production credit corporation, or bank for cooperatives. No district director, excepting any third district director selected as specified in section 640d of this title shall, during his continuance in office, be a director, officer, or employee of any institution, association, or partnership engaged in the business of lending money or of making or selling land mortgage loans, except an institution or association under the supervision of the Farm Credit Administration. (Aug. 19, 1937, c. 704, § 5 (h), 50 Stat. 705.)

12 U. S. C., § 640i

Same; felons and defrauders ineligible.—No person shall be eligible for appointment or election as an administrative or executive official of a Federal land bank, Federal intermediate credit bank, or of any corporation or bank organized pursuant to the Farm Credit Act of 1933 [June 16, 1933, c. 98, 48 Statutes 257], or as a member of any farm credit board, or shall continue to hold office as such member, if such person has been finally adjudged guilty of a felony, or finally adjudged liable in damages in any civil proceeding for fraud, in any State or Federal court. (Aug. 19, 1937, c. 704, § 5 (i), 50 Stat. 706.)

12 U. S. C., § 640j

Same; compensation of members.—Subject to the approval of the Farm Credit Administration members of each farm credit board shall receive such compensation as may be authorized by the board, including a reasonable allowance for necessary expenses in attending meetings of said board and directors' meetings. Such compensation shall be paid by the Federal land bank of the district, and such bank shall be reimbursed therefor by the Federal intermediate credit bank, production credit corporation and bank for cooperatives of the district in such proportion and in such manner as may be fixed by the farm credit board subject to the approval of the Farm Credit Administra-

tion. Except with the approval of the Farm Credit Administration, no member of any farm credit board shall receive compensation or allowances for any services rendered such institutions, in his capacity as director or otherwise, for more than thirty days in any one calendar year, exclusive of the period for which compensation is paid for attendance at meetings of said board and at directors' meetings. (Aug. 19, 1937, c. 704, § 5 (j), 50 Stat. 706.)

12 U. S. C., § 640k

Laws unaffected.—Nothing contained in sections 640a–640j of this title shall be construed to abrogate or repeal section 672 of this title or to affect the applicability of any other Act of Congress under which agricultural credit laws of the United States may be made applicable to territories or insular possessions of the United States. (Aug. 19, 1937, c. 704, § 5 (k), 5 Stat. 706.)

12 U. S. C., § 640“l”

Powers of farm credit board.—Each farm credit board provided for in sections 640b and 640c of this title shall have power, subject to the approval of the Farm Credit Administration—

(a) *Employment of joint officers and employees for certain organizations.*—To employ joint officers and employees for the Federal land bank, Federal intermediate credit bank, production credit corporation, and regional bank for cooperatives in its district. The salaries or other compensation of all such joint officers and employees shall be fixed by the district farm credit board and shall be paid by the Federal land bank of the district. Such bank shall be reimbursed therefor by the other three institutions in the district, in such amounts and upon such conditions as the board shall determine. Officers and employees appointed by the district farm credit board shall be officers and employees of the district institutions served by them. (Aug. 19, 1937, c. 704, § 6, 50 Stat. 706.)

(b) *Authorization of acquisition and disposal of property.*—To authorize the acquisition and disposal of such property, real or personal, as may be necessary or convenient for the transaction of the business of the Federal land bank, the Federal intermediate credit bank, the bank for cooperatives, and the production credit corporation, located in its district, upon such terms and conditions as it shall fix, and to prorate among such institutions the cost of purchases, rentals, construction, repairs, alterations, maintenance, and operation, in such amounts and in such manner as it shall determine. Any lease, or any contract for the purchase or sale of property, or any deed or conveyance of property, or any contract for the construction, repair, or alteration of buildings, authorized by a district farm credit board under this subsection shall be executed by the officers of the institution or institutions concerned pursuant to the direction of such board. No provision of law relative to the acquisition or disposal of property, real or personal, by or for the United States, or relative to the making of contracts or leases by or for the United States, including the provisions set out in Titles 40 and 41, and including provisions applicable to corporations wholly owned by the United States, shall be deemed or

held applicable to any lease, purchase, sale, deed, conveyance, or contract authorized or made by a district farm credit board, Federal land bank, Federal intermediate credit bank, production credit corporation, or bank for cooperatives under this subsection. (Aug. 19, 1937, c. 704, § 6, 50 Stat. 706.)

(c) *Vacations and sick leaves.*—No corporation under the supervision of the Farm Credit Administration, of which corporation any member of the board of directors is elected or appointed by private interests, shall be subject to the provisions of sections 29a, 30b–30m, and 31a of Title 5. (Aug. 19, 1937, c. 704, § 6, 50 Stat. 706.)

SUBCHAPTER I.—FEDERAL LAND BANKS, JOINT STOCK LAND BANKS, AND NATIONAL FARM LOAN ASSOCIATIONS

12 U. S. C., § 641

F. F. L. Act, § 1

“Federal Farm Loan Act”; administration.—The act of July 17, 1916 (Chapter 245, 39 Statutes 360), as amended by act of March 4, 1923 (Chapter 252, 42 Statutes 1454), to include Federal intermediate credit banks may be cited as the “Federal Farm Loan Act.” Its administration shall be under the direction and control of the Farm Credit Administration, created pursuant to Executive Order. (July 17, 1916, c. 245, § 1, 39 Stat. 360; Mar. 4, 1923, c. 252, §§ 1, 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

Farm Credit Administration was transferred to the Department of Agriculture. See note preceding section 636 of this title.

Act of July 17, 1916, cited to the text, was entitled “An act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes.”

12 U. S. C., § 642

F. F. L. Act, § 2

“First mortgage” and “farm loan bonds” defined.—Wherever the term “first mortgage” is used in this subchapter it shall be held to include such classes of first liens on farm lands as shall be approved by the Farm Credit Administration, and the credit instruments secured thereby. The term “farm loan bonds” shall be held to include all bonds secured by collateral deposited with a farm loan registrar under the terms of this subchapter; they shall be distinguished by the addition of the words “Federal”, or “joint stock”, as the case may be. (July 17, 1916, c. 245, § 2, 39 Stat. 360; Mar. 27, 1933, Ex. Or. 6084.)

ADMINISTRATIVE PROVISIONS RELATIVE TO THIS SUBCHAPTER

12 U. S. C., § 651

F. F. L. Act, § 3

Federal Farm Loan Bureau.—There shall be at the seat of government a bureau charged with the execution of this subchapter and of subchapter III of this chapter and of all Acts amendatory thereof, to be known as the “Federal Farm Loan Bureau”, under the general

supervision of the Farm Credit Administration. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Mar. 27, 1933, Ex. Or. 6084.)

The Federal Farm Loan Bureau and its functions were transferred to the Farm Credit Administration by Ex. Ord. No. 6084, cited to text and set out preceding section 636 of this title.

Farm Credit Administration was transferred to the Department of Agriculture. See note preceding section 636 of this title.

12 U. S. C., § 652

F. F. L. Act, § 3

Land Bank Commissioner; appointment and salary.—The Land Bank Commissioner shall be appointed by the President of the United States, by and with the advice and consent of the Senate. He shall be a citizen of the United States and shall devote his entire time to the business of his office; he shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Mar. 4, 1923, c. 252, § 301, 42 Stat. 1473; Ex. Or. No. 6084, Mar. 27, 1933; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

References to the Federal Farm Loan Board and its members were changed to Land Bank Commissioner and provisions relating to number of members of the Federal Farm Loan Board, membership of Secretary of the Treasury, political parties of members, and terms of office were omitted on authority of Ex. Or. No. 6084, cited to text, and set out as a note preceding section 636 of this title, which abolished the functions of the Secretary of the Treasury as a member of the Federal Farm Loan Board, abolished the offices of its appointed members, except that of Farm Loan Commissioner and transferred the powers and functions of the Board to the Farm Loan Commissioner. Act June 16, 1933, cited to text, changed name of Farm Loan Commissioner to Land Bank Commissioner.

12 U. S. C., § 653

F. F. L. Act, § 3

Oath of Land Bank Commissioner.—The Land Bank Commissioner shall within fifteen days after notice of his appointment take and subscribe to the oath of office. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Ex. Or. No. 6084, Mar. 27, 1933; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

Former first sentence of section, relating to terms of office of members of the Federal Farm Loan Board and designation of one of the members as Farm Loan Commissioner, was omitted and "The Land Bank Commissioner" was substituted for "Each member of the Federal Farm Loan Board" on authority of Ex. Or. No. 6084 and act June 16, 1933, both cited to text. See note under section 652 and section 638 of this title.

12 U. S. C., § 654

F. F. L. Act, § 3

Restriction on right of Land Bank Commissioner to engage in other business.—The Land Bank Commissioner shall not, during his continuance in office, be an officer or director of any other institution, association, or partnership engaged in banking, or in the business of making land mortgage loans or selling land mortgages. Before entering upon his duties as Land Bank Commissioner he shall certify under oath to the President that he is eligible under this section. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Ex. Or. No. 6084, Mar. 27, 1933; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

References to members of the Federal Farm Loan Board were changed to Land Bank Commissioner on the authority of Ex. Or. No. 6084, cited to text, and set out as a note preceding section 636 of this title, and act June 16, 1933, cited to text.

12 U. S. C., § 655

F. F. L. Act, § 3

Filling vacancies in office of Land Bank Commissioner.—The President shall have the power, by and with the advice and consent of the Senate, to fill any vacancy occurring in the office of Land Bank

Commissioner; if such vacancy shall be filled during the recess of the Senate a commission shall be granted which shall expire at the end of the next session. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Ex. Or. No. 6084, Mar. 27, 1933; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

References to members of the Federal Farm Loan Board were changed to Land Bank Commissioner on the authority of Ex. Or. No. 6084, cited to text, and set out as a note preceding section 636 of this title, and act June 16, 1933, cited to text, which is section 638 of this title.

12 U. S. C., § 656

F. F. L. Act, § 3

Registrars, appraisers, and examiners; appointment; restriction on right to engage in other business.—The Farm Credit Administration shall appoint a farm loan registrar in each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this chapter and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint one or more land bank appraisers for each farm credit district and as many farm credit examiners as it shall deem necessary. Farm loan registrars, deputy registrars, land bank appraisers, and farm credit examiners appointed under this section and sections 651–655, 659–664 of this title shall be public officials and shall, during their continuance in office, have no connection with or interest in any other institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages: *Provided*, That this limitation shall not apply to persons employed by the administration temporarily to do special work. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Apr. 20, 1920, c. 154, § 1, 41 Stat. 570; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, §§ 5 (a), 20, 50 Stat. 704, 710.)

12 U. S. C., § 656a

Examiners to be designated “farm credit examiners.”—Examiners appointed pursuant to the provisions of section 656 of this title shall after August 19, 1937, be designated and known as farm credit examiners. (Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.)

12 U. S. C., § 659

F. F. L. Act, § 3

Attorneys, experts, and other employees; employment; salaries and fees.—The Farm Credit Administration shall be authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as it may deem necessary to conduct the business of said administration [incident to the administration of this subchapter and subchapter III of this chapter]. All salaries and fees authorized in sections 651–664 of this title and not otherwise provided for shall be fixed in advance by said administration and shall be paid in the same manner as the salary of the Land Bank Commissioner. All such attorneys, experts, assistants, clerks, laborers, and other employees, and all registrars, examiners, and appraisers shall be appointed without regard to the provisions of sections 632, 633, 635, 637, 638, and 640–642, of Title 5, or any rule or regulation made in pursuance thereof and may be classified without regard to sections 661–663, 664–669, 670–672, 673, and 674 of Title 5: *Provided*, That

nothing herein shall prevent the President from placing said employees in the classified service. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1925, c. 524, § 4, 43 Stat. 1263; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

The language in brackets does not appear in the United States Code.

12 U. S. C., § 660

F. F. L. Act, § 3

Statement of salaries paid by land banks.—Every Federal land bank shall semiannually submit to the Farm Credit Administration a schedule showing the salaries or rates of compensation paid to its officers and employees. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 661

F. F. L. Act, § 3

Annual report.—The Farm Credit Administration shall annually make a full report of its operations [under this subchapter and subchapter III of this chapter] to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

The language in brackets does not appear in the United States Code.

12 U. S. C., § 662

F. F. L. Act, § 3

Examinations and reports by land banks; appraisals of farm land amortization tables.—The Farm Credit Administration shall from time to time require examinations and reports of condition of all land banks established under the provisions of this chapter and shall publish consolidated statements of the results thereof. It shall cause to be made appraisals of farm lands as provided by this chapter, and shall prepare and publish amortization tables which shall be used by national farm loan associations and land banks organized under this chapter. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 663

F. F. L. Act, § 3

Statements of condition of loan associations and land banks.—The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out quarterly by each such association or bank and transmitted to said administration. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 664

F. F. L. Act, § 3

Bulletins and circulars.—It shall be the duty of the Farm Credit Administration to prepare from time to time bulletins setting forth the principal features of this subchapter and of subchapter III of this chapter and through the Department of Agriculture or otherwise to distribute the same, particularly to the press, to agricultural jour-

nals, and to farmers' organizations to prepare and distribute in the same manner circulars setting forth the principles and advantages of amortized farm loans and the protection afforded debtors under said subchapters, instructing farmers how to organize and conduct farm loan associations, and advising investors of the merits and advantages of farm loan bonds; and to disseminate in its discretion information for the further instruction of farmers regarding the methods and principles of cooperative credit and organization. Said administration is instructed to lay before the Congress at each session its recommendations for further appropriations to carry out the objects of this section. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 665

Rules and regulations.—The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary or requisite for the efficient execution of the provisions of this subchapter and of subchapter III of this chapter, and/or any Act or Acts amendatory thereof or supplementary thereto. (Jan. 23, 1932, c. 9, § 6, 47 Stat. 14; Mar. 27, 1933, Ex. Or. 6084.)

ORGANIZATION OF FEDERAL LAND BANKS

§ 671 was repealed by Act Aug. 19, 1937, c. 704, § 7 (a), 50 Stat. 707.

12 U. S. C., § 672

F. F. L. Act, § 4

Establishment; titles; branches; Puerto Rico and Alaska; Hawaii; loans by branches.—The Farm Credit Administration shall establish in each farm credit district a Federal land bank, with its principal office located in such city within the district as said administration shall designate. Each Federal land bank shall include in its title the name of the city in which it is located. Subject to the approval of the Farm Credit Administration, any Federal land bank may establish branches within the farm credit district. Subject to the approval of the Farm Credit Administration and under such conditions as it may prescribe, the provisions of this subchapter and of subchapter III of this chapter are extended to the island of Puerto Rico* and the Territory of Alaska; and the Farm Credit Administration shall designate a Federal land bank which is hereby authorized to establish a branch bank in Puerto Rico and a Federal land bank which is hereby authorized to establish a branch bank in the Territory of Alaska. Loans made by each such branch bank shall be subject to the restrictions and provisions of this chapter, except that each such branch bank may loan direct to borrowers, and, subject to such regulations as the Farm Credit Administration may prescribe, the rate charged borrowers may be 1½ per centum in excess of the rate borne by the last preceding issue of farm loan bonds of the Federal land bank with which such branch bank is connected: *Provided*, That no loan shall be made in Puerto Rico or Alaska by such branch bank for a longer term than twenty years.

*For special provisions relative to foreclosures in Puerto Rico where the United States must be joined as a party defendant, and to subordinations of liens of the Puerto Rico Hurricane Relief Commission, see Aug. 27, 1935, c. 776, 49 Stat. 926; Aug. 27, 1935, c. 777, 49 Stat. 928.

Each borrower through such branch bank shall subscribe and pay for stock in the Federal land bank with which it is connected in the sum of \$5 for each \$100 or fraction thereof borrowed; such stock shall be held by such Federal land bank as collateral security for the loan of the borrower; shall participate in all dividends; and upon full payment of the loan shall be canceled at par and proceeds paid to borrower, or the borrower may apply the same to the final payments on his loan. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Feb. 27, 1921, c. 78, 41 Stat. 1148; Mar. 4, 1923, c. 252, § 303, 42 Stat. 1474; Mar. 4, 1929, c. 700, 45 Stat. 1558; May 17, 1932, c. 190, 47 Stat. 158; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704, June 30, 1945, c. 204, § 3, 59 Stat. 267.)

Act of May 17, 1932, cited to text, changed the name of Porto Rico to "Puerto Rico."

12 U. S. C., § 672a

Extension of provisions to Hawaii.—The provisions of this subchapter and of subchapter III of this chapter and any Act amendatory thereof or supplementary thereto, are extended to the Territory of Hawaii. The Farm Credit Administration shall include the Territory in a farm credit district, and such Federal land bank as the Administration may designate is authorized to establish branch banks in the Territory. (Mar. 10, 1924, c. 46, § 2, 43 Stat. 17; Ex. Or. No. 6084, Mar. 27, 1933; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

12 U. S. C., § 673

F. F. L. Act, § 4

Temporary management.—Each Federal land bank shall be temporarily managed by five directors appointed by the Farm Credit Administration. Said directors shall be citizens of the United States and residents of the district. They shall each give a surety bond, the premium on which shall be paid from the funds of the bank. They shall receive such compensation as the Farm Credit Administration shall fix. They shall choose from their number, by majority vote, a president, a vice president, a secretary, and a treasurer. They are further authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as they may deem necessary, and to fix their compensation, subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 674

F. F. L. Act, § 4

Organization certificates; contents.—Said temporary directors shall, under their hands, forthwith make an organization certificate, which shall specifically state:

First. The name assumed by such bank.

Second. The district within which its operations are to be carried on, and the particular city in which its principal office is to be located.

Third. The amount of capital stock and the number of shares into which the same is to be divided: *Provided*, That every Federal land bank organized under this subchapter shall by its articles of associa-

tion permit an increase of its capital stock from time to time for the purpose of providing for the issue of shares to national farm loan associations and stockholders who may secure loans through agents of Federal land banks in accordance with the provisions of this subchapter.

Fourth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this subchapter. The organization certificate shall be acknowledged before a judge or clerk of some court of record or notary public, and shall be, together with the acknowledgment thereof, authenticated by the seal of such court or notary, transmitted to the Land Bank Commissioner, who shall record and carefully preserve the same in his office, where it shall be at all times open to public inspection. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

12 U. S. C., § 675

F. F. L. Act, § 4

Changes in organization certificate.—The Farm Credit Administration is authorized to direct such changes in or additions to any such organization certificate, not inconsistent with this subchapter, as it may deem necessary or expedient. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 676

F. F. L. Act, § 4

Time of commencement of corporate existence; powers enumerated.—Upon duly making and filing such organization certificate the bank shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power—

First. To adopt and use a corporate seal.

Second. To have succession until it is dissolved by Act of Congress or under the provisions of this chapter.

Third. To make contracts.

Fourth. To sue and be sued, complain, interplead, and defend, in any court of law or equity, as fully as natural persons.

Fifth. To elect or appoint directors, and by its board of directors to elect a president and a vice president, appoint a secretary and a treasurer and other officers and employees, define their duties, require bonds of them, and fix the penalty thereof; by action of its board of directors dismiss such officers and employees, or any of them, at pleasure and appoint others to fill their places.

Sixth. To prescribe, by its board of directors, subject to the supervision and regulation of the Farm Credit Administration, bylaws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected, its officers elected or appointed, its property transferred, its general business conducted and the privileges granted to it by law exercised and enjoyed.

Seventh. To exercise, by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall

be necessary to carry on the business herein described. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 27, 1933, Ex. Or. 6084.)

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Federal land bank, see § 640i of this title.

12 U. S. C., § 677

F. F. L. Act, § 4

Time of termination of temporary management.—After the subscriptions to stock in any Federal land bank by national farm loan associations, hereinafter authorized, shall have reached the sum of \$100,000, the officers and directors of said land bank shall be chosen as herein provided and shall, upon becoming duly qualified, take over the management of said land bank from the temporary officers selected under section 673 of this title. (July 17, 1916, c. 245, § 4, 39 Stat. 363.)

12 U. S. C., § 677a

F. F. L. Act, § 4

Directors; compensation of officers and employees.—The members of the farm credit board of each farm credit district provided for in section 640a of this title shall be ex officio the directors of the Federal land bank located in that district. Any compensation that may be provided by the board of directors of any Federal land bank for officers or employees shall be subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Aug. 19, 1937, c. 704, § 7 (b), 50 Stat. 707.)

§§ 678–683 were stricken or repealed by Act Aug. 19, 1937, c. 704, § 7 (b), (c), 50 Stat. 707. § 677a inserted in lieu thereof.

CAPITAL STOCK OF FEDERAL LAND BANKS

12 U. S. C., § 691

F. F. L. Act, § 5

Minimum amount of original capital; regulation of subscriptions.—Every Federal land bank shall have, before beginning business, a subscribed capital of not less than \$750,000. The Farm Credit Administration is authorized to prescribe the times and conditions of the payment of subscriptions to [original] capital stock, to reject any subscription in its discretion, and to require subscribers to furnish adequate security for the payment thereof. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

The word in brackets does not appear in the United States Code.

12 U. S. C., § 692

F. F. L. Act, § 5

Shares; value; who may subscribe to original stock.—The capital stock of each Federal land bank shall be divided into shares of \$5 each, and may be subscribed for and held by any individual, firm, or corporation, or by the Government of any State or of the United States. (July 17, 1916, c. 245, § 5, 39 Stat. 364.)

The provision for subscriptions by any individual, firm, or corporation applies only to original stock. See § 695 of this title.

12 U. S. C., § 693

F. F. L. Act, § 5

Transfer of stock held by national farm loan associations.—Stock held by national farm loan associations shall not be transferred or hypothecated, and the certificates therefor shall so state. (July 17, 1916, c. 245, § 5, 39 Stat. 364.)

12 U. S. C., § 694

F. F. L. Act, § 5

Dividends; voting stock.—Stock owned by the Government of the United States in Federal land banks shall receive no dividends, but all other stock shall share in dividend distributions without preference. Each national farm loan association and the Government of the United States shall be entitled to one vote for each share of stock held by it in deciding all questions at meetings of shareholders, and no other shareholder shall be permitted to vote. Stock owned by the United States shall be voted by the Land Bank Commissioner, as directed by the Farm Credit Administration. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

Stock issued to the United States under the provisions of § 698 is nonvoting. See that section. For voting privileges of borrowers through agencies in election of members of farm credit boards, see §§ 640b–640g.

12 U. S. C., § 695

F. F. L. Act, § 5

Subscriptions to original stock; subscriptions by United States for unsubscribed balance of original capital stock.—It shall be the duty of the Farm Credit Administration, as soon as practicable after July 17, 1916, to open books of subscription for the capital stock of a Federal land bank in each farm credit district. If within thirty days after the opening of said books any part of the minimum capitalization of \$750,000 herein prescribed for Federal land banks shall remain unsubscribed, it shall be the duty of the Secretary of the Treasury to subscribe the balance thereof on behalf of the United States, said subscription to be subject to call in whole or in part by the board of directors of said land bank upon thirty days' notice with the approval of the Farm Credit Administration; and the Secretary of the Treasury is authorized and directed to take out shares corresponding to the unsubscribed balance as called, and to pay for the same out of any moneys in the Treasury not otherwise appropriated. Thereafter no stock shall be issued except as hereinafter provided. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 696

F. F. L. Act, § 5

Retirement of original stock.—After the subscriptions to capital stock by national farm loan associations shall amount to \$750,000 in any Federal land bank, said bank shall apply semiannually to the payment and retirement of the shares of stock which were issued to represent the subscriptions to the original capital twenty-five per

centum of all sums thereafter subscribed by national farm loan associations, by borrowers through agencies, and by borrowers through branch banks to capital stock until all such original capital stock is retired at par. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Jan. 23, 1932, c. 9, § 1, 47 Stat. 12.)

12 U. S. C., § 697

F. F. L. Act, § 5

Proportion held in quick assets.—At least twenty-five per centum of that part of the capital of any Federal land bank for which stock is outstanding in the name of national farm loan associations shall be held in quick assets, and may consist of cash in the vaults of said land bank, or in deposits in member banks of the Federal reserve system, or in readily marketable securities which are approved under rules and regulations of the Farm Credit Administration: *Provided*, That not less than five per centum of such capital shall be invested in United States Government bonds. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 698

F. F. L. Act, § 5

Subscriptions by United States; terms; amount; retirement.—It shall be the duty of the Secretary of the Treasury on behalf of the United States, upon the request of the board of directors of any Federal land bank made with the approval of the Farm Credit Administration, to subscribe from time to time for capital stock of such bank in an amount or amounts specified in such approval or approvals, such subscriptions to be subject to call in whole or in part by the board of directors of said bank upon thirty days' notice with the approval of the Farm Credit Administration. The Secretary of the Treasury is authorized and directed to take out and pay for shares having an aggregate par value equal to the amounts so called; and to enable the Secretary of the Treasury to pay for stock issued hereunder there is authorized to be appropriated the sum of \$125,000,000, such stock to be nonvoting. Shares of stock issued pursuant to this section shall be paid off at par and retired in the same manner as the original capital stock of said bank after said original stock outstanding, if any, has been paid off and retired: *Provided, however*, That stock issued pursuant to this section may at any time, in the discretion of the directors and with the approval of the Farm Credit Administration, be paid off at par and retired in whole or in part; and that said Administration may at any time require such stock to be paid off at par and retired in whole or in part if in the opinion of the Administration the bank has resources available therefor. The proceeds of all repayments on account of stock issued pursuant to this section shall be held in the Treasury of the United States and shall be available for the purpose of paying for other stock thereafter issued pursuant to this section. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Jan. 23, 1932, c. 9, § 2, 47 Stat. 12; Mar. 27, 1933, Ex. Or. 6084.)

LAND BANKS AS GOVERNMENT DEPOSITARIES AND AGENTS

12 U. S. C., § 701

F. F. L. Act, § 6

Federal and joint stock land banks as Government depositaries and financial agents; surety bonds; investment of funds.—All Federal land banks and joint stock land banks organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. And the Secretary of the Treasury shall require of the Federal land banks and joint stock land banks thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safekeeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government. No Government funds deposited under the provisions of this section shall be invested in mortgage loans or farm loan bonds. (July 17, 1916, c. 245, § 6, 39 Stat. 365.)

Special deposits for temporary use, see § 991 of this title.

NATIONAL FARM LOAN ASSOCIATIONS GENERALLY

12 U. S. C., § 711

F. F. L. Act, § 7

Organization; articles of association; signature; copies for land banks.—Corporations, to be known as national farm loan associations, may be organized by persons desiring to borrow money on farm mortgage security under the terms of this subchapter. Such persons shall enter into articles of association which shall specify in general terms the object for which the association is formed and the territory within which its operations are to be carried on, and which may contain any other provision, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. Said articles shall be signed by the persons uniting to form the association, and a copy thereof shall be forwarded to the Federal land bank for the district, to be filed and preserved in its office. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

12 U. S. C., § 712

F. F. L. Act, § 7

Directors; officers; loan committee.—The board of directors of every national farm loan association shall consist of not less than five nor more than seven members, who shall be elected by the shareholders of the association. Elections of such directors shall be held once each year at an annual meeting of the shareholders. Every national farm loan association shall at the first annual meeting of its shareholders subsequent to August 19, 1937, elect two directors for a term of three years, two directors for a term of two years, and the remainder of its board of directors for a term of one year. Thereafter directors shall be chosen to serve for terms of three years, and the shareholders of each association shall annually elect as many directors as may be

necessary to fill the places of those directors whose terms expire during the year. Any vacancy that may occur in the board of directors through death, resignation or other cause shall be filled at the next annual meeting of shareholders by the election of a director to serve out the unexpired portion of the term, or a special meeting of shareholders may be called for this purpose. Until such election the remaining directors shall have power to fill the vacancy for the time being by appointing a temporary director to serve until the next meeting of shareholders. All directors shall hold office until their successors are elected and have qualified. It shall be the duty of said board of directors to choose in such manner as they may prefer a secretary-treasurer, who shall receive such compensation as said board of directors shall determine. The board of directors shall elect a president, a vice president, and a loan committee of three or more members. The secretary-treasurer shall be eligible for membership on the loan committee. The board of directors may empower (a) the loan committee to elect applicants to membership and (b) any three members of said committee to act as the loan committee in approving loans on behalf of the association and in electing applicants to membership in the association. No action by the loan committee shall be valid where the full committee is acting unless unanimously approved by all members or where any three of its members are acting as herein provided unless approved by all such members. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Aug. 19, 1937, c. 704, § 21, 50 Stat. 710; June 30, 1945, c. 204, § 1 (a), 59 Stat. 266.)

12 U. S. C., § 713

F. F. L. Act, § 7

Compensation and qualifications of directors.—The directors and all officers except the secretary-treasurer shall serve without compensation, unless the payment of salaries to them shall be approved by the Farm Credit Administration. All officers and directors except the secretary-treasurer shall, during their term of office, be bona fide residents of the territory within which the association is authorized to do business, and shall be shareholders of the association. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 714

F. F. L. Act, § 7

Secretary-treasurer; powers and duties; bond; reports; misconduct in office.—It shall be the duty of the secretary-treasurer of every national farm loan association to act as custodian of its funds and to deposit the same in such bank as the board of directors may designate, to pay over to borrowers all sums received for their account from the Federal land bank upon first mortgage as in this chapter prescribed, and to meet all other obligations of the association, subject to the orders of the board of directors and in accordance with the by-laws of the association. It shall be the duty of the secretary-treasurer, acting under the direction of the national farm loan association, to collect, receipt for, and transmit to the Federal land bank payments of interest, amortization installments, or principal arising out of loans made through the association. He shall be the custodian of the securities, records, papers, certificates of stock, and all documents relating to or bearing upon the conduct of the affairs of the associa-

tion. He shall furnish a suitable surety bond to be prescribed and approved by the Farm Credit Administration for the proper performance of the duties imposed upon him under this chapter, which shall cover prompt collection and transmission of funds. He shall make a quarterly report to the Farm Credit Administration upon forms to be provided for that purpose. Upon request from said administration said secretary-treasurer shall furnish information regarding the condition of the national farm loan association for which he is acting, and he shall carry out all duly authorized orders of said administration. He shall assure himself from time to time that the loans made through the national farm loan association of which he is an officer are applied to the purposes set forth in the application of the borrower as approved, and shall forthwith report to the land bank of the district any failure of any borrower to comply with the terms of his application or mortgage. He shall also ascertain and report to said bank the amount of any delinquent taxes on land mortgaged to said bank and the name of the delinquent. No such secretary-treasurer shall engage in the making of land mortgage loans eligible at a Federal land bank through or for any other land mortgage company or agency, and the making of any such loan by any secretary-treasurer shall forthwith work a forfeiture of his office. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1923, c. 252, § 305, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 715

F. F. L. Act, § 7

Expenses and salaries; payment from general funds; assessments.—The reasonable expenses of the secretary-treasurer, the loan committee, and other officers and agents of national farm loan associations, and the salary of the secretary-treasurer, shall be paid from the general funds of the association, and the board of directors is authorized to set aside such sums as it shall deem requisite for that purpose and for other expenses of said association. When no such funds are available, the board of directors may levy an assessment on members in proportion to the amount of stock held by each, which may be repaid as soon as funds are available, or it may secure an advance from the Federal land bank of the district, to be repaid with interest at the rate of six per centum per annum, from dividends belonging to the said association. Said Federal land bank is hereby authorized to make such advance and to deduct such repayment. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

12 U. S. C., § 716

F. F. L. Act, § 7

Number of incorporators; organization; directors; secretary-treasurer.—Ten or more persons who are the owners, or about to become the owners, of farm lands qualified as security for a mortgage loan under sections 771 and 772 of this title, may unite to form a national farm loan association. They shall organize subject to the requirements and the conditions specified in sections 711–723 and in sections 671–683 of this title, so far as the same may be applicable: *Provided*, That the board of directors may consist of five members only, and instead of a secretary and a treasurer there shall be a secretary-treasurer, who need not be a shareholder of the association.

As used in this section, the term "person" includes an individual, an incorporated association, and a corporation which is eligible for a loan under sections 771 and 772 of this title. (July 17, 1916, c. 245, § 7, 39 Stat. 365; June 3, 1935, c. 164, § 19 (a), (b), 49 Stat. 319.)

12 U. S. C., § 717

F. F. L. Act, § 7

Report and affidavit accompanying articles of association.—When the articles of association are forwarded to the Federal land bank of the district as provided in sections 711–723 of this title, they shall be accompanied by the written report of the loan committee as required in section 751 of this title, and by an affidavit stating that each of the subscribers is the owner, or is about to become the owner, of farm land qualified under section 771 of this title as the basis of a mortgage loan; that the loan desired by each person is not more than \$10,000, nor less than \$100, and that the aggregate of the desired loans is not less than \$20,000; that said affidavit is accompanied by a subscription to stock in the Federal land bank equal to 5 per centum of the aggregate sum desired on mortgage loans; and that a temporary organization of said association has been formed by the election of a board of directors, a loan committee, and a secretary-treasurer who subscribes to said affidavit, giving his residence and post-office address. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

See § 771 (Seventh), of this title, for maximum loan which may be made to any one borrower. The maximum limitation contained in the subsection last mentioned has twice been increased by amendments to the original provisions; and in the view of the Farm Credit Administration such amendments operated to increase the limitation stated in § 717.

12 U. S. C., § 718

F. F. L. Act, § 7

Investigation of solvency of applicants for incorporation.—Upon receipt of such articles of association, with the accompanying affidavit and stock subscription, the directors of said Federal land bank shall send an appraiser to investigate the solvency and character of the applicants and the value of their lands, and shall then determine whether in their judgment a charter should be granted to such association. They shall forward such articles of association and the accompanying affidavit to the Farm Credit Administration with their recommendation. If said recommendation is unfavorable, the charter shall be refused. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 719

F. F. L. Act, § 7

Grant or refusal of charter; modification.—If said recommendation is favorable, the Farm Credit Administration shall thereupon grant a charter to the applicants therefor, designating the territory in which such association may make loans, and shall forward said charter to said applicants through said Federal land bank: *Provided*, That said Farm Credit Administration may for good cause shown in any case refuse to grant a charter. The boundaries of the territory designated in the charter of any national farm loan association may be readjusted from time to time to meet the farm loan needs of the locality, as determined by the Farm Credit Administration. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 8, 50 Stat. 707.)

12 U. S. C., § 720

F. F. L. Act, § 7

Authorization to receive funds to be loaned to members.—Upon receipt of its charter such national farm loan association shall be authorized and empowered to receive from the Federal land bank of the district sums to be loaned to its members under the terms and conditions of this subchapter. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

12 U. S. C., § 721

F. F. L. Act, § 7

Securing loans for members; subscriptions to stock of land bank as collateral; retirement of stock.—Whenever any national farm loan association shall desire to secure for any member a loan on first mortgage from the Federal land bank of its district it shall subscribe for capital stock of said land bank to the amount of 5 per centum of such loan, such subscriptions to be paid in cash upon the granting of the loan by said land bank. Such capital stock shall be held by said land bank as collateral security for the payment of said loan, but said association shall be paid any dividends accruing and payable on said capital stock while it is outstanding. Such stock may, in the discretion of the directors, and with the approval of the Farm Credit Administration, be paid off at par and retired, and it shall be so paid off and retired upon full payment of the mortgage loan. In such case the national farm loan association shall pay off at par and retire the corresponding shares of its stock which were issued when said land bank stock was issued. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 722

F. F. L. Act, § 7

Federal land banks; limitation on reduction of capital stock.—The capital stock of a Federal land bank shall not be reduced to an amount less than 5 per centum of the principal of the outstanding farm loan bonds issued by it. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

12 U. S. C., § 723

F. F. L. Act, § 7

Federal land banks; direct loans—(a) Authorization to make direct loans; provisions relative to loans through associations, applicable to direct loans.—Whenever it shall appear to the Land Bank Commissioner that national farm loan associations have not been formed in any locality in the continental United States, or that the farmers residing in the territory covered by the charter of a national farm loan association are unable to apply to the Federal land bank of the district for loans on account of the inability of the bank to accept applications from such association, the Land Bank Commissioner shall authorize said bank to make direct loans to borrowers secured by first mortgages on farm lands situated within any such locality or territory. Except as herein otherwise specifically provided, all provisions of this chapter applicable with respect to loans made through national farm loan associations shall, insofar as practicable, apply with respect to such direct loans, and the Land Bank Commissioner is authorized to make such rules and regulations as he

may deem necessary with respect to such direct loans. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(b) Interest rate.—The rate of interest on such direct loans made at any time by any Federal land bank shall be one-half of 1 per centum per annum in excess of the rate of interest charged to borrowers on mortgage loans made at such time by the bank through national farm loan associations. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44.)

(c) Subscription to stock; retirement of stock.—Each borrower who obtains a direct loan from a Federal land bank shall subscribe and pay for stock in such bank in the sum of \$5 for each \$100 or fraction thereof borrowed. Such stock shall be held by such Federal land bank as collateral security for the loan of the borrower and shall participate in all dividends. Upon full payment of the loan such stock shall, if still outstanding, be canceled at par, or, in the event that such stock shall have become impaired, at the estimated value thereof as approved by the Land Bank Commissioner, and the proceeds thereof shall be paid to the borrower. Any borrower's interest in such stock may be transferred or hypothecated, by him or by operation of law, to the Federal Farm Mortgage Corporation. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; Aug. 19, 1937, c. 704, § 22, 50 Stat. 710.)

(d) Organization of national farm loan association by direct borrowers.—Each such borrower may covenant in his mortgage that, whenever there are ten or more borrowers who have obtained from a Federal land bank direct loans under the provisions of this section aggregating not less than \$20,000, and who reside in a locality which may, in the opinion of the Land Bank Commissioner, be conveniently covered by the charter of and served by a national farm loan association, he will unite with such other borrowers to form a national farm loan association. Such borrowers shall organize the association subject to the requirements and the conditions specified in sections 711–723, so far as the same may be applicable, and in accordance with rules and regulations of the Land Bank Commissioner. As soon as the organization of the association has been approved by the Land Bank Commissioner, the stock in the Federal land bank held by each of the members of such association shall be canceled at par, and in lieu thereof the bank shall issue in the name of the association an equal amount of stock in said bank, which stock shall be held by said bank as collateral security as provided in sections 711–723 with respect to other loans through national farm loan associations. Thereupon there shall be issued to each such member an amount of capital stock in the association equal to the amount which he previously held in said bank, which stock shall be held by said association as collateral security as provided in section 733 of this title. The board of directors of said association shall adopt a resolution authorizing and directing its secretary-treasurer on behalf of said association to endorse, and thereby become liable for the payment of, the mortgages taken from its charter members by the Federal land bank. When it shall appear to the satisfaction of the Land Bank Commissioner that all the foregoing conditions have been complied with, and upon the granting of

the charter by the Land Bank Commissioner, the interest rate paid by each charter member of such association whose loan is in good standing shall, beginning with his next regular installment date, be reduced to the rate of interest paid by borrowers on new loans made through national farm loan associations in the same farm credit district at the time the said loan was made to such charter member. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 710.)

(e) Charges to applicants and borrowers.—Charges to be paid by applicants for direct loans from a Federal land bank shall not exceed amounts to be fixed by the Land Bank Commissioner and shall in no case exceed the charges which may be made to applicants for loans and borrowers through national farm loan associations under the provisions of sections 761 and 781 of this title. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1933, c. 270, § 1, 47 Stat. 1547; May 12, 1933, c. 25, § 26, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(f) Option to make loan in bonds.—Direct loans made under subsections (a)–(e) hereof, may, at the option of the Federal land bank, be made in bonds of the Federal Farm Mortgage Corporation. (Jan. 31, 1934, c. 7, § 6, 48 Stat. 346.)

12 U. S. C., § 724

Loans when association's stock is impaired—(a) Authorization; interest; admission to membership of borrowers under section 723.—Whenever it shall appear that the capital stock of a national farm loan association is impaired, the Farm Credit Administration may authorize the Federal land bank of the district in which such association is located to make loans to applicants through such association subject to the requirements and conditions specified for direct loans in section 723 of this title, except as otherwise specifically provided in this section, and may authorize such association to elect to membership borrowers having loans made pursuant to said section on lands situated within the chartered territory of the association. Borrowers admitted to membership in the association pursuant hereto shall be entitled to vote and hold office in the association and the rate of interest on their loans shall be one-fourth of 1 per centum per annum less than the rate of interest provided at such time for direct loans. The association shall endorse all such mortgage loans but it shall not become liable therefor except as hereinafter provided. (Aug. 19, 1937, c. 704, § 25 (b), 50 Stat. 711.)

(b) Effect of admission of ten borrowers with loans in good standing aggregating \$20,000.—When there are ten or more borrowers admitted to membership in an association pursuant to this section whose loans are in good standing, as defined by the Farm Credit Administration, and aggregate not less than \$20,000:

First. *Liability of association and members.*—The association shall become liable for the payment of said loans: *Provided, however,* That, any other provisions of law to the contrary notwithstanding, the shareholders who have become members pursuant to this section shall not be held responsible, through the amount paid in and represented by their shares or otherwise, for any contracts, debts, or engagements of the association entered into before the date on which the first member

was admitted to the association pursuant to this section and the shareholders of such association who were members prior to said date shall not be held responsible, through the amount paid in and represented by their shares or otherwise, for any mortgages endorsed by such association on or after said date, but this provision shall not be construed to relieve any other liability with respect to stock held by shareholders who were members prior to said date.

Second. *Reduction of interest rate.*—The interest rate paid by each such borrower on each such loan shall, beginning with the next regular installment date, be reduced one-fourth of 1 per centum per annum.

Third. *Exchange of Federal land bank stock for association stock.*—The stock in the Federal land bank held by each of said borrowers shall be exchanged for association stock in the manner provided for in section 723 (d) of this title.

Fourth. *Admission of new members.*—The association may thereafter admit new members, endorse their loans, and become liable for the payment of such loans as provided in paragraph “First” of this section.

Fifth. *Election of loan committee.*—At the next annual meeting of stockholders, and thereafter, the loan committee of such association may be elected by the members who become stockholders pursuant to this section and any loan committee so elected shall have the powers specified for loan committees elected as provided in section 747 of this title: *Provided, however,* That in the event such stockholders fail to elect the loan committee, new members shall be admitted to the association as otherwise provided in this chapter.

Sixth. *Records and accounts; dividends.*—In accordance with rules and regulations prescribed by the Farm Credit Administration, the association shall maintain separate capital-stock records; shall keep all capital losses or gains, reserves (including legal reserves), and dividends received from the Federal land bank on stock owned by the association in connection with loans for which it becomes liable as provided in this section separate and apart from capital losses or gains, reserves (including legal reserves), and dividends received from the Federal land bank on stock owned by the association in connection with other loans of the association; and shall segregate any undivided profits of the association resulting from its business operations in like manner when so required by rules and regulations of the Farm Credit Administration. Subject to the other provisions of this chapter with respect to the declaration of dividends, dividends may be declared exclusively on association stock owned by borrowers with loans for which the association becomes liable as provided in this section or exclusively on association stock owned by borrowers with other loans through the association. (Aug. 19, 1937, c. 704, § 25 (b), 50 Stat. 711.)

(c) **Same; effect of loan not in good standing.**—If the loan of any borrower who was admitted to membership pursuant to this section is not in good standing at the time when there are ten or more borrowers with loans aggregating not less than \$20,000 which are in good standing, the provisions of paragraphs “First”, “Second”, and “Third” of this section shall be applicable to his loan at such time as it shall be placed in good standing. (Aug. 19, 1937, c. 704, § 25 (b), 50 Stat. 711.)

(d) **Removal of impairment of stock.**—If and when all impairment is removed in the stock owned by shareholders with loans which

were made prior to the date on which the first member was admitted to the association pursuant to this section, the holders of such stock and the holders of stock issued on and after said date may, pursuant to rules and regulations of the Farm Credit Administration and consistent with the provisions of this chapter, agree as to the rights, powers, privileges, duties, and liabilities which shall thenceforth attach to their respective shares of stock and otherwise agree as to the future applicability, if any, of the special provisions contained in this section. (Aug. 19, 1937, c. 704, § 25 (b), 50 Stat. 711.)

CAPITAL STOCK OF NATIONAL FARM LOAN ASSOCIATIONS

12 U. S. C., § 731

F. F. L. Act, § 8

Par value of shares.—The shares in national farm loan associations shall be of the par value of \$5 each. (July 17, 1916, c. 245 § 8, 39 Stat. 367.)

12 U. S. C., § 732

F. F. L. Act, § 8

Voting privileges.—Effective thirty days after August 19, 1937, every shareholder shall be entitled to one vote, and no more, at all elections of directors and in deciding all questions at meetings of shareholders. (July 17, 1916, c. 245, § 8, 39 Stat. 367; Aug. 19, 1937, c. 704, § 23, 50 Stat. 710.)

12 U. S. C., § 733

F. F. L. Act, § 8

Borrowers only to be members; application for membership; subscription to stock in association; stock held as collateral; retirement of stock.—No person but borrowers on farm land mortgages shall be members or shareholders of national farm loan associations. Any person desiring to borrow on farm land mortgage through a national farm loan association shall make application for membership and shall subscribe for shares of stock in such farm loan association to an amount equal to 5 per centum of the face of the desired loan, said subscription to be paid in cash upon the granting of the loan. If the application for membership is accepted and the loan is granted, the applicant shall, upon full payment therefor, become the owner of one share of capital stock in said loan association for each \$100 of the face of his loan, or any major fractional part thereof. Said capital stock shall be paid off at par and retired upon full payment of said loan. Said capital stock shall be held by said association as collateral security for the payment of said loan, but said borrower shall be paid any dividends accruing and payable on said capital stock while it is outstanding. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)

12 U. S. C., § 734

F. F. L. Act, § 8

Increase of stock.—Every national farm loan association formed under this chapter shall by its articles of association provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members and providing for the issue of shares to borrowers in accordance with the provisions of this chapter. Such increases shall be included in the quarterly reports to the Farm Credit Administration. (July 17, 1916, c. 245, § 8, 39 Stat. 367; Mar. 27, 1933, Ex. Or. 6084.)

NATIONAL FARM LOAN ASSOCIATIONS; SPECIAL PROVISIONS

12 U. S. C., § 741

F. F. L. Act, § 9

Right of members to loans.—Any person whose application for membership is accepted by a national farm loan association shall be entitled to borrow money on farm land mortgage upon filing his application in accordance with section 733 of this title and otherwise complying with the terms of this chapter whenever the Federal land bank of the district has funds available for that purpose, unless said land bank or the Farm Credit Administration shall, in its discretion, otherwise determine. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 742

F. F. L. Act, § 9

Payment for stock from proceeds of member's mortgage loan.—Any person desiring to secure a loan through a national farm loan association under the provisions of this chapter may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the national farm loan association, such sum to be made a part of the face of the loan and paid off in amortization payments: *Provided, however,* That such addition to the loan shall not be permitted to increase said loan above the limitation imposed in subsection 5 of section 771 of this title. (July 17, 1916, c. 245, § 9, 39 Stat. 368.)

12 U. S. C., § 743

F. F. L. Act, § 9

Commissions on interest payments; deduction from dividends; loans by land banks to associations; rate of interest.—Subject to rules and regulations prescribed by the Farm Credit Administration, any national farm loan association shall be entitled to retain as a commission from each interest payment on any loan indorsed by it an amount to be determined by said administration not to exceed one-eighth of 1 per centum semiannually upon the unpaid principal of said loan, any amounts so retained as commissions to be deducted from dividends payable to such farm loan association by the Federal land bank, and to make application to the land bank of the district for loans not exceeding in the aggregate one-fourth of its total stock holdings in said land bank. The Federal land banks shall have power to make such loans to associations applying therefor and to charge interest at a rate not exceeding 6 per centum per annum. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 744

F. F. L. Act, § 9

Individual liability of shareholders.—Shareholders of every national farm loan association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (July 17, 1916, c. 245, § 9, 39 Stat. 368.)

See § 744a of this title for provisions modifying this section.

12 U. S. C., § 744a

F. F. L. Act, § 9

Same; contract liability after June 16, 1933.—Notwithstanding the provisions of section 744, the shareholders of national farm loan associations shall not be held individually responsible for any contract, debt, or engagement of such association entered into after June 16, 1933, but this section shall not be construed to relieve any other liability with respect to stock held by such shareholders. (June 16, 1933, c. 98, § 72, 48 Stat. 271.)

12 U. S. C., § 745

F. F. L. Act, § 9

New members.—After a charter has been granted to a national farm loan association, any person who is the owner, or about to become the owner, of farm land qualified under section 771 of this title as the basis of a mortgage loan, and who desires to borrow on a mortgage of such farm land, may become a member of the association by a majority vote of the directors, or by the loan committee where said committee has been empowered to elect applicants to membership, and upon subscribing for one share of the capital stock of such association for each \$100 of the face of his proposed loan or any major fractional part thereof. He shall at the same time file with the secretary-treasurer his application for a mortgage loan, giving the particulars required by section 771 of this title. As used in this section, the term "person" includes an individual, an incorporated association, and a corporation which is eligible for a loan under section 771 of this title. (July 17, 1916, c. 245, § 9, 39 Stat. 368; June 3, 1935, c. 164, § 20, 49 Stat. 319; Aug. 19, 1937, c. 704, § 24, 50 Stat. 710; June 30, 1945, c. 204, § 1 (b), 59 Stat. 266.)

12 U. S. C., § 746

F. F. L. Act, § 9

Common board of directors for two or more associations.—Any other provisions of law to the contrary notwithstanding, two or more national farm loan associations may with the approval of the Farm Credit Administration, and by an agreement not inconsistent with any rules and regulations prescribed by the said Administration, provide for a common board of directors to be elected by the shareholders of the associations that are parties to the agreement: *Provided, however,* That each member of any such board shall be a shareholder in an association that is a party to the agreement and shall be a bona fide resident of the territory within which such association is authorized to do business: *And provided further,* That no such agreement shall provide for a term of office in excess of three years for any member of such board. The number of members of the common board of directors shall be specified in the agreement and shall be five or more. The agreement may provide that any director may be elected by the shareholders of one or more of the associations which are parties to the agreement; that in the balloting for any director an association may vote at a separate meeting of its shareholders or at a joint meeting with the shareholders of any other association or associations participating in the election of the director; and that the candidate receiving the highest aggregate number of votes at such meeting or meetings shall be declared elected. Whenever two or more national farm loan associ-

ations have entered into such an agreement, the members of the common board of directors provided for in the agreement shall be *ex officio* the members of the board of directors of each association that is a party to the agreement, any provisions of this chapter to the contrary notwithstanding. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Aug. 19, 1937, c. 704, § 25 (a), 50 Stat. 710.)

12 U. S. C., § 747

F. F. L. Act, § 9

Same; transfer of powers to loan committee.—Whenever a national farm loan association has entered into such an agreement, the power of approving applications for loans through the association and the power of admitting persons to membership in the association shall be vested in the loan committee of the association in lieu of being vested in its board of directors. The loan committee of any such association shall be elected annually by the shareholders of the association, instead of by its board of directors, and the shareholders shall in addition annually elect two alternates to serve as members of the loan committee at such times as regular members may be absent or disqualified. (July 17, 1916, c. 245, § 9, 39 Stat. 368; Aug. 19, 1937, c. 704, § 25 (a), 50 Stat. 710.)

APPRAISAL FOR FARM LOANS

12 U. S. C., § 751

F. F. L. Act, § 10

Investigation by loan committee; report by appraiser; report and approval by committee; notification to applicant.—Whenever an application for a mortgage loan is made to a national farm-loan association the loan committee provided for in section 712 of this title shall forthwith make, or cause to be made, such investigation as it may deem necessary as to the character and solvency of the applicant, and the sufficiency of the security offered. The committee may request a report on the value of the security by a land bank appraiser appointed under the authority of section 656 of this title, in which event such an appraiser shall investigate and make a written report to the association upon the security offered. The committee shall cause written report to be made of the results of such investigation or investigations as it has required to be made and shall, if it concurs in such report, approve the same in writing. No loan shall be made unless the report of the committee is favorable. After the investigation required in this section has been made, the association has requested and received a report upon the value of the security by a land bank appraiser, and the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser the secretary-treasurer may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Apr. 20, 1920, c. 154, § 2, 41 Stat. 570; June 30 1945, c. 204, § 2, 59 Stat. 266.)

12 U. S. C., § 752

F. F. L. Act, § 10

Submission of loan application and required reports to land bank; consideration by bank.—The written report required in section 751 of this title, together with any report made by a land bank appraiser, shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said written report when it passes on the loan application which it accompanies, but it shall not be bound by the value placed upon the property by the loan committee. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Apr. 20, 1920, c. 154, § 2, 41 Stat. 570; June 30, 1945, c. 204, § 2, 59 Stat. 266.)

12 U. S. C., § 753

F. F. L. Act, § 10

Requirement for appraisal of land offered as security before making land bank loan.—Before any mortgage loan is made by any Federal land bank, or joint stock land bank, it shall refer the application to one or more of the land bank appraisers, appointed under the authority of section 656 of this title, and such appraiser or appraisers shall investigate and make a written report on the security offered for said loan: *Provided*, That if a land bank appraiser has made a report on said security to the national farm loan association, the Federal land bank need not request an additional report. No such loan shall be made by said land bank unless the written report of the land bank appraiser is favorable. (July 17, 1916, c. 245, § 10, 39 Stat. 369; June 30, 1945, c. 204, § 2, 59 Stat. 266.)

Joint stock land banks prohibited from making farm loans after May 12, 1933, except such as are necessary and incidental to refinancing existing loans and to sale of acquired real estate. See § 810 of this title.

12 U. S. C., § 754

F. F. L. Act, § 10

Forms for reports.—Forms for appraisal reports for farm loan associations and land banks shall be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 755

F. F. L. Act, § 10

Examinations by land bank appraisers as to farm loan bonds and first mortgages.—Land bank appraisers shall make such examinations and appraisals and conduct such investigations, concerning farm loan bonds and first mortgages, as the Farm Credit Administration shall direct. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 756

F. F. L. Act, § 10

Borrower ineligible as land bank appraiser; association director or committeeman disqualified by interest in loan.—No borrower under this subchapter shall be eligible as an appraiser under this subdivision, but borrowers may act as members of a loan committee in any case where they are not personally interested in the loan under consideration. When any member of a loan committee or of a board of directors is interested, directly or indirectly, in a

loan, a majority of the board of directors of any national farm loan association shall appoint a substitute to act in his place in passing upon such loan. (July 17, 1916, c. 245, § 10, 39 Stat. 369.)

POWERS OF NATIONAL FARM LOAN ASSOCIATIONS

12 U. S. C., § 761

F. F. L. Act, § 11

Enumerated powers.—Every national farm loan association shall have power:

First. *Indorsing mortgages.*—To indorse, and thereby become liable for the payment of, mortgages taken from its shareholders by the Federal land bank of its district. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Second. *Receiving advances from banks and loaning to shareholders.*—To receive from the Federal land bank of its district funds advanced by said land bank, and to deliver said funds to its shareholders on receipt of first mortgages qualified under section 771 of this title. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Third. *Fixing charges for applications for loans.*—To fix reasonable initial charges to be made against applicants for loans and to borrowers in order to meet the necessary expenses of the association: *Provided*, That such charges shall not exceed amounts to be fixed by the Farm Credit Administration, and shall in no case exceed 1 per centum of the amount of the loan applied for; to acquire and dispose of property, real and personal, that may be necessary or convenient for the transaction of its business. (July 17, 1916, c. 245, § 11, 39 Stat. 369; Apr. 20, 1920, c. 154, § 3, 41 Stat. 570; Mar. 27, 1933, Ex. Or. 6084.)

Fourth. *Issuing interest-bearing certificates against deposits of current funds.*—To issue certificates against deposits of current funds bearing interest for not longer than one year at not to exceed 4 per centum per annum after six days from date, convertible into farm loan bonds when presented at the Federal land bank of the district in the amount of \$25 or any multiple thereof. Such deposits, when received, shall be forthwith transmitted to said land bank, and be invested by it in the purchase of farm loan bonds issued by a Federal land bank or in first mortgages as defined by this subchapter. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Fifth. *Collections by one association for another.*—Whenever a Federal land bank shall have empowered any national farm loan association of its district to collect and pay over to said bank the dues, interest, amortization installments, and other sums payable under the terms, conditions, and covenants of the mortgages taken from its shareholders, such association may, with the approval of said bank, enter into an agreement with another association operating in the same or adjacent territory to make such collections, for and on behalf of the association thus empowered to do so, on any or all of said loans, and immediately pay the amounts so collected to said land bank. Such agreements shall be made upon such terms and conditions and for such consideration as may be approved by the Farm Credit Administration. (July 17, 1916, c. 245, § 11, 39 Stat. 369; Aug. 19, 1937, c. 704, § 25 (c), 50 Stat. 713.)

National farm loan associations authorized to make their services and facilities available to Land Bank Commissioner to aid in administering subchapter II of this chapter. See § 1018 of this title.

RESTRICTIONS ON LOANS OF FEDERAL LAND BANKS BASED ON FIRST MORTGAGES

12 U. S. C., § 771

F. F. L. A. ct, § 12

Restrictions enumerated.—No Federal land bank organized under this chapter shall make loans except upon the following terms and conditions:

First. *Security by first mortgage.*—Said loans shall be secured by duly recorded first mortgages on farm land within the farm credit district in which the bank is situated. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

Second. *Agreement for repayment on amortization plan.*—Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover, first, a charge on the loan at a rate not exceeding the interest rate in the last series of farm loan bonds issued by the land bank making the loan; second, a charge for administration and profits at a rate not exceeding, except with the approval of the Governor of the Farm Credit Administration, 1 per centum per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will extinguish the debt within an agreed period, not less than five years nor more than forty years: *Provided*, That after five years from the date upon which a loan is made the mortgagor may, upon any regular installment date, make in advance any number of payments or any portion thereof on account of the principal of his loan as provided by his contract or pay the entire principal of such loan, under the rules and regulations of the Farm Credit Administration: *And provided further*, That under the rules and regulations of the Farm Credit Administration any land bank may agree, at the time a loan is made or thereafter, that the mortgagor may make such payments or portions of payments in advance or pay the entire principal of such loan during the first five years the loan is in effect: *And provided further*, That before the first issues of farm loan bonds by any land bank the interest rate on mortgages may be determined in the discretion of said land bank, subject to the provisions and limitations of this subchapter. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154, § 4, 41 Stat. 570; June 16, 1933, c. 98, § 73, 48 Stat. 271; Mar. 27, 1933, Ex. Or. 6084; June 30, 1945; c. 204, § 4, 59 Stat. 267.)

Third. *Maximum interest rate.*—No loan on mortgage shall be made under this subchapter at a rate of interest exceeding 6 per centum per annum, exclusive of amortization payments. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Fourth. *Purposes of loans enumerated.*—Such loans may be made for the following purposes and for no other:

(a) To provide for the purchase of land for agricultural uses.

(b) To provide for the purchase of equipment, fertilizers, and livestock necessary for the proper and reasonable operation of the mortgaged farm; the term "equipment" to be defined by the Farm Credit Administration.

(c) To provide buildings and for the improvement of farm lands; the term "improvement" to be defined by the Farm Credit Administration.

(d) To liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred at least two years prior to the date of the application for the loan.

(e) To provide the owner of the land mortgaged with funds for general agricultural uses. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154, § 4, 41 Stat. 570; Mar. 4, 1923, c. 252, § 306, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 2, 47 Stat. 1547; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 12, 50 Stat. 708; June 30, 1945, c. 204, § 4, 59 Stat. 267.)

Fifth. Limitation on amount of loans; appraisal; reappraisal.—No such loan shall exceed 65 per centum of the normal value of the farm mortgaged, said value to be ascertained by appraisal, as provided in sections 751–756 of this title. In making said appraisal the value of the farm for agricultural purposes shall be the basis of appraisal and the normal earning power of said farm shall be a principal factor.

In making loans to owners of groves and orchards, including citrus fruit groves and other fruit groves and orchards, the Federal land banks, the farm land banks, and all Government agencies making loans upon such character of property may, in appraising the property offered as security, give a reasonable and fair valuation to the fruit trees located and growing upon said property and constituting a substantial part of its value. In determining the earning power of land used for the raising of livestock, due consideration shall be given to the extent to which the earning power of the fee-owned land is augmented by a lease or permit, granted by lawful authority of the United States or of any State, for the use of a portion of the public lands of the United States or of such State, where such permit or lease is in the nature of a right adjunctive to such fee-owned land, and its availability for use as such during the terms of the loan is reasonably assured.

A reappraisal may be permitted at any time in the discretion of the Federal land bank, and such additional loan may be granted as such reappraisal will warrant under the provisions of this paragraph. Whenever the amount of the loan applied for exceeds the amount that may be loaned under the appraisal as herein limited, such loan may be granted to the amount permitted under the terms of this paragraph without requiring a new application or appraisal. (July 17, 1916, c. 245, § 12, 39 Stat. 370; May 12, 1933, c. 25, § 41, 48 Stat. 51; June 3, 1935, c. 164, § 22, 49 Stat. 319; June 30, 1945, c. 204, § 4, 59 Stat. 267.)

Sixth. Restrictions on eligibility for loans; assumption of mortgage and stock interests by purchaser of land or heir.—No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option, within sixty days of such death, to assume the mortgage

and stock interests of the deceased. As used in this paragraph (1) the term "person" includes an individual or a corporation engaged in the raising of livestock; and (2) the term "corporation" includes any incorporated association; but no such loan shall be made to a corporation (A) unless all the stock of the corporation is owned by individuals themselves personally actually engaged in the raising of livestock on the farm to be mortgaged as security for the loan, except in a case where the Land Bank Commissioner permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for. (July 17, 1916, c. 245, § 12, 39 Stat. 370; June 16, 1933, c. 98, § 74, 48 Stat. 271; June 3, 1935, c. 164, § 18, 49 Stat. 319.)

Seventh. *Maximum and minimum of loans.*—The amount of loans to any one borrower shall in no case exceed a maximum of \$50,000, but loans to any one borrower shall not exceed \$25,000 unless approved by the Land Bank Commissioner, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 4, 1923, c. 252, § 307, 42 Stat. 1476; May 12, 1933, c. 25, § 25, 48 Stat. 44; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

Eighth. *Form of applications for loans.*—Every applicant for a loan under the terms of this subchapter shall make application on a form to be prescribed for that purpose by the Farm Credit Administration, and such applicant shall state the objects to which the proceeds of said loan are to be applied, and shall afford such other information as may be required. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084.)

Ninth. *Interest on defaulted payments; payment of taxes and liens; insurance.*—Every borrower shall pay simple interest on defaulted payments at a rate not exceeding 6 per centum per annum, and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear simple interest at a rate not exceeding 6 per centum per annum. Every borrower shall undertake to keep insured to the satisfaction of the Farm Credit Administration all buildings the value of which was a factor in determining the amount of the loan. Insurance shall be made payable to the mortgagee as its interest may appear at time of loss, and, at the option of the mortgagor and subject to general regulations of the Farm Credit Administration, sums so received may be used to pay for reconstruction of the buildings destroyed. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084, June 30, 1945, c. 204, § 4, 59 Stat. 267.)

Tenth. *Agreement by borrowers as to use of loans.*—Every borrower who shall be granted a loan under the provisions of this subchapter

shall enter into an agreement, in form and under conditions to be prescribed by the Farm Credit Administration, that if the whole or any portion of his loan shall be expended for purposes other than those specified in his original application, or if the borrower shall be in default in respect to any condition or covenant of the mortgage, the whole of said loan shall, at the option of the mortgagee, become due and payable forthwith: *Provided*, That the borrower may use part of said loan to pay for his stock in the farm loan association, and the land bank holding such mortgage may permit said loan to be used for any purpose specified in paragraph "Fourth" of this section. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 27, 1933, Ex. Or. 6084.)

Eleventh. *Loans not invalidated by unauthorized acts by banks or associations.*—No loan or the mortgage securing the same shall be impaired or invalidated by reason of the exercise of any power by any Federal land bank or national farm loan association in excess of the powers herein granted or any limitations thereon. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Twelfth. *Reduction of interest on loans and deferment of principal.*—Notwithstanding the provisions of paragraph "Second" of this section, the rate of interest on any loans on mortgage made through national farm loan associations or through agents as provided in sections 801–808 of this title, or purchased from joint stock land banks, by any Federal land bank, outstanding on May 12, 1933, or made through national farm loan associations after such date, shall not exceed 3½ per centum per annum for all interest payable on installment dates occurring within a period of nine years, commencing July 1, 1935; and no payment of the principal portion of any installment of any such loan outstanding on June 3, 1935 shall be required prior to July 11, 1938, if the borrower shall not be in default with respect to any other condition or covenant of his mortgage. The foregoing provisions shall apply to loans made by Federal land banks through branches, except that the rates of interest paid for the respective periods above specified shall be one-half of 1 per centum per annum in excess of the rates of interest paid during the corresponding periods by borrowers on mortgage loans made through national farm loan associations. The foregoing provisions shall also apply to interest on so-called purchase-money mortgages and on real estate sales contracts taken by the Federal land banks which is payable on installment dates occurring after June 30, 1942, except that in the case of such mortgages and contracts the rate of interest shall be one-half of 1 per centum per annum in excess of the rate paid by borrowers on mortgage loans made through national farm loan associations. The Secretary of the Treasury shall pay each Federal land bank, as soon as practicable after October 1, 1933, and after the end of each quarter thereafter, such amount as the Land Bank Commissioner certifies to the Secretary of the Treasury is equal to the amount by which interest payments on mortgages held by such bank have been reduced, during the preceding quarter, by reason of this paragraph; but in any case in which the Land Bank Commissioner finds that the amount of interest payable by such bank during any quarter has been reduced by reason of the refinancing of bonds under section 992 of this title, the amount of the reduction so found shall be deducted from the amount payable to such bank under this paragraph. No payments shall be

made to a bank with respect to any period after June 30, 1944. There is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$15,000,000 for the purpose of enabling the Secretary of the Treasury to make payments to Federal land banks which accrue during the fiscal year ending June 30, 1934, and such additional amounts as may be necessary to make payments accruing during subsequent fiscal years. (July 17, 1916, c. 245, § 12, 39 Stat. 370; May 12, 1933, c. 25, § 24, 48 Stat. 43; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; June 3, 1935, c. 164, § 3, 49 Stat. 314; June 24, 1936, c. 762, 49 Stat. 1912; July 22, 1937, c. 516, § 1, 50 Stat. 521; June 16, 1938, c. 462, § 1, 52 Stat. 709; June 29, 1940, c. 441, § 1, 54 Stat. 684; June 27, 1942, c. 449, § 1, 56 Stat. 391; June 30, 1945, c. 204, § 4, 59 Stat. 267.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For Government subscription to paid-in surplus of bank, in amounts equal to principal payments deferred see § 781 (Tenth) of this title.

12 U. S. C., § 772

F. F. L. Act, § 12

Loans to be in current funds, bonds of corporation, or farm loan bonds.—Amounts transmitted to farm loan associations by Federal land banks to be loaned to its members shall, at the option of the bank, be in current funds or Federal Farm Mortgage Corporation bonds, or, at the option of the borrower, in farm loan bonds. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Jan. 31, 1934, c. 7, § 7, 48 Stat. 346.)

12 U. S. C., § 773

Mortgages on farm lands under United States reclamation projects.—The term “first mortgages”, as used in section 771 of this title, shall be construed to include mortgages on farm lands under United States reclamation projects, notwithstanding there may be against such lands a reserved or created lien in favor of the United States for construction or other charges as provided in sections 372, 373, 381, 383, 391, 392, 411, 416, 419, 421, 431, 432, 434, 439, 461, 491, 498 of Title 43, and acts amendatory thereof and supplementary thereto, known as the reclamation law: *Provided*, That such lands are otherwise eligible for loans under this subchapter: *And provided further*, That the amount and date of maturity of such lien shall be given due consideration in fixing the value of such lands for loan purposes. (May 15, 1922, c. 190, § 3, 42 Stat. 542.)

The text of this section in the United States Code contains the words “this chapter” instead of “this subchapter.”

12 U. S. C., § 773a

Loans on lands in drainage, irrigation, or conservancy districts.—The Farm Credit Administration, the Federal Farm Mortgage Corporation, the Federal land banks, the Land Bank Commissioner, and any lending or financing agency established by or under [subchapters I, III, IV and V of] this chapter, are authorized to make loans or acquire mortgages on lands in any drainage, irrigation, or conservancy district, notwithstanding the existence of any prior lien or charge arising out of an assessment for special benefits made by such district, in any case where (1) such land is otherwise eligible for

a loan, (2) such assessment is payable over a period of years, and (3) reasonable security exists for the repayment of the loan, taking into consideration all facts and values, including the term and size of the loan, the integrity of the applicant, and the increased earning capacity of the lands arising from the improvements or benefits in respect of which the assessment was made. (June 4, 1936, c. 496, 49 Stat. 1461.)

The words in brackets do not appear in the United States Code.

POWERS OF FEDERAL LAND BANKS GENERALLY

12 U. S. C., § 781

F. F. L. Act, § 13

Enumerated powers.—Every Federal land bank shall have power, subject to the limitations and requirements of this subchapter—

First. *Issuing and selling farm loan bonds.*—To issue, subject to the approval of the Farm Credit Administration, and to sell farm loan bonds of the kinds authorized in this subchapter, to buy the same for its own account, and to retire the same at or before maturity. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 27, 1933, Ex. Or. 6084.)

Second. *Investing funds in first farm mortgages.*—To invest such funds as may be in its possession in the purchase of qualified first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting. In order to reduce and/or refinance farm mortgages, to invest such funds as may be in its possession in the purchase of first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting, or to exchange farm loan bonds for any duly recorded first mortgages on farm lands executed prior to May 12, 1933, at a price which shall not exceed in each individual case the amount of the unpaid principal of the mortgage on the date of such purchase or exchange, or 50 per centum of the normal value of the land mortgaged and 20 per centum of the value of the permanent insured improvements thereon as determined upon an appraisal made pursuant to this subchapter, whichever is the smaller: *Provided*, That any mortgagor whose mortgage is acquired by a Federal land bank under this paragraph shall be entitled to have his farm mortgage indebtedness refinanced in accordance with the provisions of sections 711–723 and 731–734 of this title, on the basis of the amount paid by the bank for his mortgage. (July 17, 1916, c. 245, § 13, 39 Stat. 372; May 12, 1933, c. 25, § 22, 48 Stat. 42; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704).

Third. *Receipt and deposit of mortgages as collateral for bonds; collection of moneys payable under mortgages and bonds.*—To receive and to deposit in trust with the farm loan registrar for the district, to be by him held as collateral security for farm loan bonds, first mortgages upon farm land qualified under section 771 of this title, and to empower national farm loan associations, or duly authorized agents, to collect and immediately pay over to said land banks the dues, interest, amortization installments and other sums payable under the terms, conditions, and covenants of the mortgages and of the bonds secured thereby. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Fourth. *Acquiring and disposing of property.*—To acquire and dispose of—

(a) Such property, real or personal, as may be necessary or convenient for the transaction of its business, which, however, may be in part leased to others for revenue purposes.

(b) Parcels of land acquired in satisfaction of debts or purchased at sales under judgments, decrees, or mortgages held by it. But no such bank shall hold title and possession of any real estate purchased or acquired to secure any debt due to it, for a longer period than 5 years, except with the special approval of the Farm Credit Administration in writing. Every such bank may carry real estate as an asset, for a period of not exceeding 5 years, at its normal value but not to exceed the amount of the bank's investment therein at the time of acquirement of such real estate. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 3, 47 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

Fifth. *Depositing securities and funds with reserve banks.*—To deposit its securities and its current funds subject to check, with any member bank of the Federal Reserve System, and to receive interest on the same as may be agreed. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Sixth. *Receiving deposits from associations.*—To accept deposits of securities or of current funds from national farm loan associations holding its shares, but to pay no interest on such deposits. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Seventh. *Borrowing money.*—To borrow money severally, or jointly and severally with one or more other Federal land banks, to give security therefor, and to pay interest thereon. (July 17, 1916, c. 245, § 13, 39 Stat. 372; June 30, 1945, c. 204, § 5, 59 Stat. 267.)

Eighth. *Buying and selling obligations of United States; purchasing notes and mortgages of Federal Farm Mortgage Corporation.*—To buy and sell United States Government obligations direct or fully guaranteed; and to purchase and acquire from the Federal Farm Mortgage Corporation notes and mortgages representing loans made by the Land Bank Commissioner pursuant to section 1016 of this title, upon farm property situated in the farm credit district in which said bank is located, and purchase money mortgages and contracts for the sale of farms held by the Federal Farm Mortgage Corporation in connection with the sale of farm property situated in such district: *Provided*, That no such note and mortgage, purchase-money mortgage, or contract shall be purchased pursuant hereto unless (1) the unpaid balance of the indebtedness represented or secured thereby, together with any indebtedness to the Federal land bank secured by a prior mortgage on the property, does not exceed 65 per centum of the normal value of the farm as determined upon appraisal made pursuant to this subchapter; (2) the borrower acquires such stock in a national farm loan association, in addition to any available stock which he may already own, as may be necessary to constitute an amount equal to one share of stock for each \$100 of the unpaid balance of the indebtedness represented or secured by the note and mortgage, purchase-money mortgage, or contract being purchased and acquired, together with the indebtedness secured by any prior lien on the property in favor of the Federal land bank; (3) the national farm loan association in which such stock is held elects the borrower to membership, if not already a member, and agrees to be liable for the indebtedness secured by the note and mortgage, purchase-money mortgage, or contract being purchased and acquired; and (4) the land bank takes such action, if any, as may be necessary to reduce the rate of interest on the indebtedness secured by the mortgage, purchase-money mortgage, or contract acquired or purchased to the same rate of interest the bank is charging on first-mortgage loans which it is then making. (July 17, 1916, c. 245,

§ 13, 39 Stat. 372; Aug. 19, 1937, c. 704, § 15 (a), 50 Stat. 708; June 30, 1945, c. 204, § 6, 59 Stat. 267.)

Ninth. *Charging fees for loans.*—To charge applicants for loans and borrowers, under rules and regulations promulgated by the Farm Credit Administration, reasonable fees not exceeding the actual cost of appraisal and determination of title. Legal fees and recording charges imposed by law in the State where the land to be mortgaged is located may also be included in the preliminary costs of negotiating mortgage loans. The borrower may pay such fees and charges or he may arrange with the Federal land bank making the loan to advance the same, in which case said expenses shall be made a part of the face of the loan and paid off in amortization payments. Such addition to the loan shall not be permitted to increase said loan above the limitations provided in section 771 of this title. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 27, 1933, Ex. Or. 6084.)

Tenth. *Extension of obligation unpaid under terms of mortgages.*—When in the judgment of the directors conditions justify it, to extend, in whole or in part, any obligation that may be or become unpaid under the terms of any mortgage, and to accept payment of any such obligation during a period of five years or less from the date of such extension in such amounts as may be agreed upon at the date of making such extension. The sum of \$25,000,000 of the amount authorized to be appropriated under section 698 of this title shall be used exclusively for the purpose of supplying any bank with funds to use in its operations in place of any amounts of which such bank may be deprived by reason of extensions made as provided in this paragraph. The terms of any such extension shall be such as will not defer the collection of any obligation due by any borrower which, after investigation by the bank of the situation of such borrower, is shown to be within his capacity to meet. In the case of any such extension, or in the case of any deferment of principal as provided in paragraph "Twelfth" of section 771 of this title, it shall be the duty of the Secretary of the Treasury, on behalf of the United States, upon the request of the Federal land bank making the extension, and with the approval of the Land Bank Commissioner, to subscribe at such periods as the Commissioner shall determine, to the paid-in surplus of such bank an amount equal to the amount of all such extensions and deferments made by the bank during the preceding period. Such subscriptions shall be subject to call, in whole or in part, by the bank with the approval of the Commissioner upon thirty days' notice. To enable the Secretary of the Treasury to make such subscriptions to the paid-in surplus of the Federal land banks, there is authorized to be appropriated the sum of \$50,000,000, to be immediately available and remain available until expended. Upon payment to any Federal land bank of the amount of any such subscription, such bank shall execute and deliver a receipt therefor to the Secretary of the Treasury in form to be prescribed by the Land Bank Commissioner. The amount of any subscriptions to the paid-in surplus of any such bank may be repaid in whole or in part at any time in the discretion of the bank and with the approval of the Land Bank Commissioner, and the Commissioner may at any time require such subscriptions to be repaid in whole or in part if in his opinion

the bank has resources available therefor. The unexpended balances of the funds appropriated by the Fourth Deficiency Act, fiscal year 1933, approved June 16, 1933 (48 Stat. 279), the Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934 (48 Stat. 1060), the Second Deficiency Appropriation Act, fiscal year 1935, approved August 12, 1935 (49 Stat. 592), the First Deficiency Appropriation Act, fiscal year 1936, approved June 22, 1936 [49 Stat. 1597], the Treasury Department Appropriation Act, 1937, approved June 23, 1936 [49 Stat. 1827], and the Treasury Department Appropriation Act, 1938, approved May 14, 1937 [50 Stat. 137], for the purpose of enabling the Secretary of the Treasury to make subscriptions to the paid-in surplus of the Federal land banks, as provided for in this paragraph, and the proceeds of all repayments on account of such paid-in surplus, shall be held in the Treasury of the United States as a revolving fund and shall be available for subscriptions to paid-in surplus made pursuant to this paragraph. (July 17, 1916, c. 245 § 13, 39 Stat. 372; Jan. 23, 1932, c. 9, § 5, 47 Stat. 14; May 12, 1933, c. 25, § 23, 48 Stat. 43; June 16, 1933, c. 98, § 80, (a), 48 Stat. 273; Aug. 19, 1937, c. 704, § 19, 50 Stat. 709.)

For interest rate on extended payments, see paragraph "Twelfth" of this section.

Eleventh. Postponement of payment of installments of loans.—At any time within five years after March 4, 1933, any borrower who has obtained a loan from a Federal land bank may on application to such Federal land bank and upon approval of such application by the directors of the bank postpone the payment of any unpaid installment or installments in the manner herein provided in this section. Such postponed payment shall be made by paying at the time each succeeding annual installment is due, one-tenth of the amount of the postponed payment, and in the case of semiannual installments, by paying at the time each succeeding semiannual installment is due, one-twentieth of the postponed payment, until the amount of such postponed payment has been paid. In any case in which the number of remaining installments due on the mortgage is less than ten, in the case of annual installments, or less than twenty, in the case of semiannual installments, the amount of the postponed payment shall be distributed proportionately over the remaining number of installment payments. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat. 1548.)

Twelfth. Interest rate; on extended payments; on taxes, liens, etc., paid by mortgagee.—For the period of five years after March 4, 1933, every borrower shall pay simple interest on extended payments at the same rate of interest as stipulated in the mortgage securing the loan as to payments not in default and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear interest at the rate provided in the mortgage. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat. 1548.)

Thirteenth. *Reamortization of mortgages*.—When in the judgment of the directors conditions justify it, and with the approval of the Farm Credit Administration, to reamortize, in whole or in part, the aggregate amount remaining unpaid under the terms of any mortgage, and to accept payment of such aggregate amount on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover the interest payable on the mortgage, and in addition thereto such amounts to be applied upon the principal as will extinguish the debt within an agreed period of not more than forty years from the date of the reamortization; to deposit such mortgages with the farm loan registrar as collateral security for farm loan bonds at an amount not exceeding the principal of the original loan remaining unpaid at the date of such amortization; and with the approval of the Farm Credit Administration to charge the borrower an amount not to exceed the actual cost incurred in connection with such reamortization. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Mar. 4, 1933, c. 270, § 4, 47 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

Fourteenth. *Agreements to share gains and losses with associations*.—To enter into agreements with national farm loan associations of the district under the terms of which losses incurred and gains realized on account of the disposition of lands covered by a defaulted mortgage indorsed by such association will be shared equally by the bank and the association. (July 17, 1916, c. 245, § 13, 39 Stat. 372; June 16, 1933, c. 98, § 79, 48 Stat. 272.)

Fifteenth. *Exchange farm loan bonds for Federal Farm Mortgage Corporation bonds*.—To exchange farm loan bonds for Federal Farm Mortgage Corporation bonds of equal face value. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Jan. 31, 1934, c. 7, § 8 (a), 48 Stat. 347; Aug. 19, 1937, c. 704, § 15 (b), 50 Stat. 708.)

Sixteenth. *Exchange of Federal Farm Mortgage Corporation bonds for farm loan bonds*.—To exchange Federal Farm Mortgage Corporation bonds for farm loan bonds of equal face value. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Jan. 31, 1934, c. 7, § 8 (a), 48 Stat. 347.)

Seventeenth. *Loans to other Federal land banks*.—To make loans to other Federal land banks upon such terms and conditions as may be approved by the Farm Credit Administration. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Aug. 19, 1937, c. 704, § 16, 50 Stat. 708.)

Eighteenth. *Accepting conditional payments for subsequent credit on indebtedness*.—To accept conditional payments from borrowers for subsequent credit upon their indebtedness to the land bank; and to allow interest on such payments. All conditional payments so accepted shall be subject to such terms and conditions, not inconsistent with the provisions of this paragraph and with any rules or regulations prescribed for its efficient execution by the Farm Credit Administration, as may be agreed upon at the time of their acceptance. If a conditional payment is accepted for subsequent credit upon a first mortgage which is at the time or is thereafter pledged as collateral security for an issue of farm-loan bonds, all requirements, conditions, and limitations set forth in sections 897–899 of this title shall apply to such payment the same as though it were a present payment on the principal of the mortgage pledged as collateral security, and the land bank shall forthwith notify the farm loan registrar of its receipt of

such payment and account to him therefor. Every conditional payment accepted by a land bank for subsequent credit upon indebtedness of a borrower shall be credited upon such indebtedness as the borrower may from time to time direct in accordance with the terms and conditions upon which the payment has been accepted, and at the option of the bank may in any event be credited upon such indebtedness as and when it matures if it is not otherwise paid by the borrower at or before maturity. If at any time after five years from the date on which a borrower's loan was made, the aggregate of the borrower's conditional payments accepted on account of his indebtedness under such loan and not yet credited thereon equals or exceeds his total indebtedness under the loan, all unmatured indebtedness under such loan shall become due and payable at once, and the payments so accepted shall forthwith be credited upon the borrower's indebtedness under the loan so far as may be necessary to pay it in full. Any balances of conditional payments remaining uncredited when the indebtedness on account of which they have been accepted has been paid in full shall be refunded to the borrower by the land bank. (July 17, 1916, c. 245, § 13, 39 Stat. 372; Aug. 19, 1937, c. 704, § 17, 50 Stat. 708; June 30, 1945, c. 204, § 7, 59 Stat. 268.)

Nineteenth. *Deferment of installment payments.*—To permit any borrower to defer payment of the principal portions of installments on his loan in order that he may pay, in whole or in part, any indebtedness which is secured by a lien junior to the lien of the bank upon the farm land mortgaged to secure his loan.

Federal land banks authorized to make their services and facilities available to Land Bank Commissioner to aid in administering subchapter II of this chapter. See § 1018 of this title.

RESTRICTIONS ON FEDERAL LAND BANKS

12 U. S. C., § 791

F. F. L. Act, § 14

Enumeration of restrictions.—No Federal land bank shall have power—

First. *Limiting deposits.*—To accept deposits of current funds payable upon demand except from its own stockholders, or to transact any banking or other business not expressly authorized by the provisions of this subchapter. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Second. *Loaning on first mortgages except through associations.*—To loan on first mortgage except through national farm loan associations as provided in sections 711–722 and sections 731–734 of this title [secs. 7 and 8 of the Federal Farm Loan Act, as amended], or through agents as provided in sections 801–808 of this title, or direct to borrowers as provided in section 723 of this title. (July 17, 1916, c. 245, § 14, 39 Stat. 372; Mar. 4, 1933, c. 270, § 5 (a), 47 Stat. 1549.)

Third. *Accepting other than first mortgages.*—To accept any mortgages on real estate except first mortgages created subject to all limitations imposed by sections 771 and 772 of this title, and those taken as additional security for existing loans. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Fourth. *Issuing excess of bonds; receiving excess of mortgages from associations.*—To issue or obligate itself for outstanding farm loan

bonds (including consolidated bonds issued on its behalf) in excess of twenty times the amount of its capital and surplus, or to receive from any national farm loan association additional mortgages when the principal remaining unpaid upon mortgages already received from such association shall exceed twenty times the amount of its capital stock owned by such association. (July 17, 1916, c. 245, § 14, 39 Stat. 372; June 16, 1933, c. 98, § 75 (a) 48 Stat. 271.)

Fifth. Demanding unauthorized commissions.—To demand or receive, under any form or pretense, any commission or charge not specifically authorized in this subchapter. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Sixth. Accepting mortgages on personal property exempt from execution.—To accept as additional security for any loan to any borrower under this subchapter, or any installment on any such loan, any personal property which is exempt from execution upon judgment under the laws of the State in which the land with respect to which the mortgage is given is situated. (July 17, 1916, c. 245, § 14, 39 Stat. 372; Mar. 4, 1933, c. 270, § 5 (b), 47 Stat. 1549; June 16, 1933, c. 98, § 71, 48 Stat. 271.)

LOANS BY FEDERAL LAND BANKS THROUGH AGENTS

12 U. S. C., § 801

F. F. L. Act, § 15

Loans; when authorized.—Whenever it shall appear to the Farm Credit Administration that national farm loan associations have not been formed, and are not likely to be formed, in any locality, because of peculiar local conditions, said administration may, in its discretion, authorize Federal land banks to make loans on farm lands through agents approved by said administration. (July 17, 1916, c. 245, § 15, 39 Stat. 373; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” and “administration” mentioned in the text were substituted for “Federal Farm Loan Board” and “board,” respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 802

F. F. L. Act, § 15

Manner of making.—Loans authorized by section 801 of this title shall be subject to the same conditions and restrictions as if the same were made through national farm loan associations, and each borrower shall contribute 5 per centum of the amount of his loan to the capital of the Federal land bank, and shall become the owner of as much capital stock of the land bank as such contribution shall warrant. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

12 U. S. C., § 803

F. F. L. Act, § 15

Who may be employed as agent.—No agent other than a duly incorporated bank, trust company, mortgage company, or savings institution, chartered by the State in which it has its principal office, shall be employed under the provisions of sections 801–808 hereof. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

12 U. S. C., § 804

F. F. L. Act, § 15

Expenses of and commissions to agents.—Federal land banks may pay to such agents the actual expense of appraising the land offered as security for a loan, examining and certifying the title thereof, and making, executing, and recording the mortgage papers; and in addition may allow said agents not to exceed one-half of 1 per centum per annum upon the unpaid principal of said loan, such commission to be deducted from dividends payable to the borrower on his stock in the Federal land bank. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

12 U. S. C., § 805

F. F. L. Act, § 15

Expenses of agents added to loans.—Actual expenses paid to agents under the provisions of sections 801–808 of this title shall be added to the face of the loan and paid off in amortization payments subject to the limitations provided in paragraph “Ninth” of section 781 of this title. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

12 U. S. C., § 806

F. F. L. Act, § 15

Collection of loan payments.—Said agents, when required by the Federal land banks, shall collect and forward to such banks without charge all interest and amortization payments on loans indorsed by them. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

12 U. S. C., § 807

F. F. L. Act, § 15

Indorsement of loans; liability thereon.—Any agent negotiating any such loan shall indorse the same and become liable for the payment thereof, and for any default by the mortgagor, on the same terms and under the same penalties as if the loan had been originally made by said agent as principal and sold by said agent to said land bank, but the aggregate of the unpaid principal of mortgage loans received from any such agent shall not exceed 10 times its capital and surplus. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

12 U. S. C., § 808

F. F. L. Act, § 15

When loans to cease.—If at any time the district represented by any agent under the provisions of sections 801–808 of this title shall, in the judgment of the Farm Credit Administration, be adequately served by national farm loan associations, no further loans shall be negotiated therein by agents under said sections. (July 17, 1916, c. 245, § 15, 39 Stat. 373; Mar. 27, 1933, Ex. Or. 6084.)

JOINT STOCK LAND BANKS

12 U. S. C., § 810

Restriction against making loans or issuing bonds after May 12, 1933.—After May 12, 1933, no joint stock land bank shall issue any tax-exempt bonds or make any farm loans except such as are necessary and incidental to the refinancing of existing loans or bond issues or to

the sale of any real estate now owned or hereafter acquired by such bank. (May 12, 1933, c. 25, § 29, 48 Stat. 46.)

For loans to joint stock land banks to provide for orderly liquidation and for emergency purposes, see § 823 (note) of this title.

12 U. S. C., § 811

F. F. L. Act, § 16

Organization; directors.—Corporations, to be known as joint stock land banks, for carrying on the business of lending on farm mortgage security and issuing farm loan bonds, may be formed by any number of natural persons not less than ten. They shall be organized subject to the requirements and under the conditions set forth in sections 671–683 of this title, so far as the same may be applicable: *Provided*, That the board of directors of every joint stock land bank shall consist of not less than five members. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

12 U. S. C., § 812

F. F. L. Act, § 16

Individual liability of shareholders.—Shareholders of every joint stock land bank organized under this chapter shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

12 U. S. C., § 813

F. F. L. Act, § 16

Powers, duties, and liabilities; stock.—Except as otherwise provided, joint stock land banks shall have the powers of, and be subject to all the restrictions and conditions imposed on, Federal land banks by this chapter, so far as such restrictions and conditions are applicable: *Provided, however*, That the Government of the United States shall not purchase or subscribe for any of the capital stock of any such bank; and each shareholder of any such bank shall have the same voting privileges as holders of shares in national banking associations. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

12 U. S. C., § 814

F. F. L. Act, § 16

Limitation on amount of issue of bonds; transacting unauthorized business.—No joint stock land bank shall have power to issue or obligate itself for outstanding farm loan bonds in excess of fifteen times the amount of its capital and surplus, or to receive deposits or to transact any banking or other business not expressly authorized by the provisions of this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

12 U. S. C., § 815

F. F. L. Act, § 16

Minimum capital stock.—No joint stock land bank shall be authorized to do business until capital stock to the amount of at least \$250,000 has been subscribed, one-half thereof paid in cash and the balance subject to call by the board of directors, and a charter has been issued to it by the Farm Credit Administration. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

12 U. S. C., § 816

F. F. L. Act, § 16

Issuing bonds before payment of stock.—No joint stock land bank shall issue any bonds until after the capital stock is entirely paid up. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

12 U. S. C., § 817

F. F. L. Act, § 16

Form of bonds.—Farm loan bonds issued by joint stock land banks shall be so engraved as to be readily distinguished in form and color from farm loan bonds issued by Federal land banks, and shall otherwise bear such distinguishing marks as the Farm Credit Administration shall direct. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

12 U. S. C., § 818

F. F. L. Act, § 16

Interest rates; restrictions on mortgage loans.—Joint stock land banks shall not be subject to the provisions of subsection (b) of section 831 of this title as to interest rates on mortgage loans or farm loan bonds, nor to the provisions of paragraphs “First”, “Fourth”, “Sixth”, “Seventh”, and “Tenth” of section 771 of this title as to restrictions on mortgage loans: *Provided, however*, That no loans shall be made which are not secured by first mortgages on farm lands within the State in which such joint stock land bank has its principal office, or within some one State contiguous to such State, except as hereinafter provided. Such joint stock land banks shall be subject to all other restrictions on mortgage loans imposed on Federal land banks in section 771 of this title. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 4, 1931, c. 518, § 1, 46 Stat. 1548.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

12 U. S. C., § 819

F. F. L. Act, § 16

Limitation on interest rates.—Joint stock land banks shall in no case charge a rate of interest on farm loans exceeding by more than 1 per centum the rate of interest established for the last series of farm loan bonds issued by them. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

12 U. S. C., § 820

F. F. L. Act, § 16

Unauthorized commissions or charges.—Joint stock land banks shall in no case demand or receive, under any form or pretense, any commission or charge not specifically authorized in this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)

12 U. S. C., § 821

F. F. L. Act, § 16

Bonds; form and contents.—Each joint stock land bank organized under this chapter shall have authority to issue bonds based upon mortgages taken by it in accordance with the terms of this chapter. Such bonds shall be in form prescribed by the Farm Credit Administration, and it shall be stated in such bonds that such bank is organized under sections 811–823 of this title, is under Federal supervision, and operates under the provisions of this chapter. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 27, 1933, Ex. Or. 6084.)

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

12 U. S. C., § 822

F. F. L. Act, § 16

Voluntary liquidation.—Any joint stock land bank organized and doing business under the provisions of this chapter may go into voluntary liquidation by making provision, to be approved by the Farm Credit Administration, for the payment of its liabilities: *Provided*, That such method of liquidation shall have been duly authorized by a vote of at least two-thirds of the shareholders of such joint stock land bank at a regular meeting, or at a special meeting called for that purpose, of which at least ten days' notice in writing shall have been given to stockholders. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691; Mar. 27, 1933, Ex. Or. 6084.)

See § 823 (note), and § 965.

12 U. S. C., § 823

F. F. L. Act, § 16

Assets of liquidating bank; purchase by Federal or joint stock land bank; assumption of liabilities.—For the purpose of assisting in any such liquidation authorized as in section 822 of this title provided, any Federal land bank or joint stock land bank may, with the approval of the Farm Credit Administration, acquire the assets and assume the liabilities of any joint stock land bank, and in such transaction any Federal land bank may waive the provisions of this chapter requiring such bank to acquire its loans only through national farm loan associations or agents, and those relating to status of borrower, purposes of loan, and also the limitation as to the amount of individual loans. No Federal land bank shall assume the obligations of any joint stock land bank in such manner as to make its outstanding obligations more than twenty times its capital stock except by creation of a special reserve equal to one-twentieth of the amount of such additional obligations assumed. No joint stock land bank shall assume the obligations of any other joint stock land bank in such manner as to make its outstanding obligations more than fifteen times the amount of its capital and surplus except by creation of a special reserve equal to one-fifteenth of the amount of such additional

obligations assumed. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691; Mar. 4, 1925, c. 524, § 5, 43 Stat. 1263; Mar. 27, 1933, Ex. Or. 6084.)

Cancellation of notes of Reconstruction Finance Corporation for loans made to Joint Stock Land Banks, see section 611a of Title 15, Commerce and Trade.

HISTORICAL NOTE

Joint stock land banks are now prohibited from making loans or issuing tax-exempt bonds, except in circumstances permitted under § 810 of this title. This prohibition constituted Section 29 of Part 2 of "The Emergency Farm Mortgage Act of 1933." Section 31 of that Act, as amended by Section 3 of the Farm Credit Act of 1937, made provision for loans to joint-stock land banks during a limited period of time to enable them to grant certain emergency relief to their borrowers.

12 U. S. C., § 824

F. F. L. Act, § 16

Insolvency; receivership; acquisition of assets by other banks; loans by acquiring bank in additional States.—In any case where a joint stock land bank has been, or may be, declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, any Federal land bank or joint stock land bank may, in the manner as may be prescribed by the Farm Credit Administration and with the approval of the Farm Credit Administration, acquire the assets and assume the liabilities of said joint stock land bank in the hands of a receiver. Any joint stock land bank which has acquired or may hereafter acquire the assets and which has assumed or may hereafter assume the liabilities of another joint stock land bank may, if authorized by the Farm Credit Administration, make loans secured by first mortgages on farm lands within the States in which the other joint stock land bank was authorized to make loans at the time of such acquisition, and the acquiring bank may, with the approval of the Farm Credit Administration, continue to make loans in the States where it was authorized to make loans at the time of such acquisition: *Provided, however,* That the acquiring bank shall not be authorized to make loans at any one time in more than five States, of which one shall be the State in which the bank has its principal office, one shall be contiguous to such State, the other shall be the States in which the acquired joint stock land banks were authorized to make loans at the time of such acquisition, and all of said five States shall be situated in contiguous territory. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 4, 1931, c. 518, § 2, 46 Stat. 1548; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Making loans or issuing tax-exempt bonds prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title. See that section.

For receivers of joint stock land banks, see also § 963 of this title.

POWERS OF FARM CREDIT ADMINISTRATION

12 U. S. C., § 831

F. F. L. Act, § 17

Enumeration.—The Farm Credit Administration shall have power—

(a) *Organizing and chartering banks and loan associations; authorizing increase of stock.*—To organize and charter Federal land

banks, and to charter national farm loan associations and joint stock land banks subject to the provisions of this subchapter, and in its discretion to authorize them to increase their capital stock.

(b) *Reviewing and altering interest rates.*—To review and alter at its discretion the rate of interest to be charged by Federal land banks for loans made by them under the provisions of this subchapter, said rates to be uniform so far as practicable.

(c) *Granting or refusing authority to issue bonds.*—To grant or refuse to Federal land banks, or joint stock land banks, authority to make any specific issue of farm loan bonds.

(d) *Making rules and regulations as to charges on loans.*—To make rules and regulations respecting the charges made to borrowers on loans under this subchapter for expenses in appraisal, determination of title, and recording.

(e) *Requiring reports, etc.; examining banks and associations.*—To require reports and statements of condition and to make examinations of all banks or associations doing business under the provisions of this subchapter.

(f) *Prescribing form and terms of bonds and surety bonds.*—To prescribe the form and terms of farm loan bonds, and the form, terms, and penal sums of all surety bonds required under this subchapter and of such other surety bonds as they shall deem necessary, such surety bonds to cover financial loss as well as faithful performance of duty.

(g) *Regulating payments between banks.*—To require Federal land banks to pay forthwith to any Federal land bank their equitable proportion of any sums advanced by said land bank to pay the coupons of any other land bank, basing said required payments on the amount of farm loan bonds issued by each land bank and actually outstanding at the time of such requirement.

(h) *Suspending or removal of directors, registrars, appraisers, and examiners.*—To suspend or to remove for cause any district director or director at large, or any registrar, appraiser, examiner, or other official appointed by the Farm Credit Administration under authority of sections 651–656, 659–664* of this title, as amended, the cause of such suspension or removal to be communicated forthwith in writing by said Administration to the person suspended or removed, and in case of a district director or director at large to the proper Federal land bank, Federal intermediate credit bank, production credit corporation and regional bank for cooperatives.

(i) *Exercising supervisory authority over banks.*—To exercise general supervisory authority over the Federal land banks, the national farm loan associations, and the joint stock land banks herein provided for.

(j) *Incidental powers.*—To exercise such incidental powers as shall be necessary or requisite to fulfill its duties and carry out the purposes of this subchapter. (July 17, 1916, c. 245, § 17, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 9, 50 Stat. 707.)

Authorization to make rules and regulations, see § 665 of this title.

Farm Credit Administration was transferred to the Department of Agriculture. See note preceding section 636 of this title.

*In the United States Code this appears as “658–664” although section 658 was repealed in 1944.

12 U. S. C., § 832

Allocation of expenses of administrative services rendered each year by Farm Credit Administration to certain banking institutions; disposition of moneys.—(a) The Farm Credit Administration shall, prior to the first day of each fiscal year commencing after June 30, 1944, estimate for the ensuing fiscal year the cost of examinations of the joint-stock land banks, Federal land banks, national farm-loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, production credit corporations, and production credit associations; shall apportion the amount so determined among the joint-stock land banks, Federal land banks, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, production credit corporations, and production credit associations on such equitable basis as said Administration shall determine; and shall assess against and collect in advance the amount so apportioned from the banks, corporations, and other organizations among which the apportionment is made.

(b) The Farm Credit Administration shall prior to the first day of each fiscal year commencing after June 30, 1944, estimate the cost to it for the ensuing fiscal year of the administrative supervision of the Federal land bank system, the banks for cooperatives, the Central Bank for Cooperatives, the Federal intermediate credit banks, and the production credit system; shall apportion the amount so determined among the Federal land banks, the banks for cooperatives, the Central Bank for Cooperatives, the Federal intermediate credit banks, and the production credit corporations on such equitable basis as said Administration shall determine; and shall assess against and collect in advance from such banks and corporations the amount so apportioned.

(c) The amounts collected pursuant to subsections (a) and (b) of this section shall be covered into the Treasury, and credited to a special fund, which fund is authorized to be appropriated to said Administration for expenditure during each fiscal year for salaries and expenses applicable to examination and administrative supervision as set forth in the annual appropriation made for the same fiscal year for salaries and expenses of said Administration. As soon as practicable after the end of each such fiscal year, said Administration shall determine on a fair and reasonable basis (1) the cost of the examination services rendered during the fiscal year to each said bank, corporation, or other organization; and (2) the amount which fairly and equitably should be allocated to each bank and corporation as the cost during the fiscal year of such administrative supervision, and if the sum of these two items in any case is greater than the total amount collected from the bank, corporation, or other organization, the difference shall be collected from such bank, corporation, or other organization, and, if less, shall be refunded from said special fund to the bank, corporation, or other organization entitled thereto. (Sept. 21, 1944, c. 412, title VI, § 601 (a-c), 58 Stat. 740.)

This section was enacted as a part of the Department of Agriculture Organic Act of 1944. Provisions similar to this section were contained in the Department of Agriculture Appropriation Act for the following year:

1945—June 28, 1944, c. 296, § 1, 58 Stat. 832.

12 U. S. C., § 833

Purchase of manuscripts, data, and special reports; employment of personnel for special services.—The Farm Credit Administration is authorized to purchase manuscripts, data, and special reports by personal service without regard to the provisions of any other Act, and to employ persons, firms, and others for the performance of special services, including legal services: *Provided*, That expenditures under this authority shall not be made unless provision is made therefor in the applicable appropriation and the cost thereof is not in excess of limitations prescribed therein. (Sept. 21, 1944, c. 412, title VI, § 602, 58 Stat. 741.)

This section was enacted as a part of the Department of Agriculture Organic Act of 1944.

APPLICATIONS FOR FARM LOAN BONDS

12 U. S. C., § 841

F. F. L. Act, § 18

Application; to whom made; collateral security; schedule.—Any Federal land bank, or joint stock land bank, which shall have voted to issue farm loan bonds under this chapter, shall make written application to the Farm Credit Administration, through the farm loan registrar of the district, for approval of such issue. With said application said land bank shall tender to said farm loan registrar as collateral security first mortgages on farm lands qualified under the provisions of section 771, 801–808, or 811–824 of this title [sections 12, 15, or 16 of the Federal Farm Loan Act, as amended], or United States Government bonds, not less in aggregate amount than the sum of the bonds proposed to be issued. Said bank shall furnish with such mortgages a schedule containing a description thereof and such further information as may be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

Joint stock land banks prohibited from issuing tax-exempt bonds after May 12, 1933, except in circumstances permitted under § 810 of this title.

12 U. S. C., § 842

F. F. L. Act, § 18

Verification of schedule; investigation and appraisal of securities tendered; decision as to application.—Upon receipt of the application provided for in section 841 of this title said farm loan registrar shall verify the schedule also provided for in said section and shall transmit said application and said schedule to the Farm Credit Administration, giving such further information pertaining thereto as he may possess. The Farm Credit Administration shall forthwith cause to be made such investigation and appraisal of the securities tendered as it shall deem wise, and it shall grant in whole, or in part, or reject entirely, such application. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 843

F. F. L. Act, § 18

Transmission of decisions to land bank and registrar; information to be furnished by registrar.—The Farm Credit Administration shall promptly transmit its decision as to any issue of farm loan bonds to the land bank applying for the same and to the farm loan

registrar of the district. Said registrar shall furnish, in writing, such information regarding any issue of farm loan bonds as the Farm Credit Administration may at any time require. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 844

F. F. L. Act, § 18

Written approval of issue requisite.—No issue of farm loan bonds shall be authorized unless the Farm Credit Administration shall approve such issue in writing. (July 17, 1916, c. 245, § 18, 39 Stat. 375; Mar. 27, 1933, Ex. Or. 6084.)

ISSUE OF FARM LOAN BONDS

12 U. S. C., § 851

F. F. L. Act, § 19

Duties of registrar on approval of bond issue.—Whenever any farm loan registrar shall receive from the Farm Credit Administration notice that it has approved any issue of farm loan bonds under the provisions of sections 841–844 of this title, he shall forthwith take such steps as may be necessary, in accordance with the provisions of this chapter, to insure the prompt execution of said bonds and the delivery of the same to the land bank applying therefor. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 852

F. F. L. Act, § 19

Rejection of application; return of collateral security.—Whenever the Farm Credit Administration shall reject entirely any application for an issue of farm loan bonds, the first mortgages and bonds tendered to the farm loan registrar as collateral security therefor shall be forthwith returned to said land bank by him. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 853

F. F. L. Act, § 19

Disposition of collateral security on approval of application.—Whenever the Farm Credit Administration shall approve an issue of farm loan bonds, the farm loan registrar having the custody of the first mortgages and bonds tendered as collateral security for such issue of bonds shall retain in his custody those first mortgages and bonds which are to be held as collateral security, and shall return to the bank owning the same any of said mortgages and bonds which are not to be held by him as collateral security. The land bank which is to issue said farm loan bonds shall transfer to said registrar, by assignment, in trust, all first mortgages and bonds which are to be held by said registrar as collateral security, said assignment providing for the right of redemption at any time by payment as provided in this chapter and reserving the right of substitution of other mortgages qualified under sections 771, 801–808, and 811–824 of this title. Said mortgages and bonds shall be deposited in such deposit vault or bank as the Farm Credit Administration shall approve, subject to the control of said registrar and in his name as trustee for the bank issuing the farm loan bonds and for the prospective holders of said farm loan bonds. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 854

F. F. L. Act, § 19

Mortgages eligible as collateral.—No mortgage shall be accepted by a farm loan registrar from a land bank as part of an offering to securing* farm loan bonds, either originally or by substitution, except first mortgages made subject to the conditions prescribed in sections 672, 673–677a, 711–723, 771, 772, 801–808, and 811–824 of this title: *Provided*, That such registrar, when authorized and directed to do so by the Farm Credit Administration, shall accept or retain in his custody as collateral, if otherwise eligible under the provisions of such sections, any first mortgage in connection with which the land bank depositing the same has agreed to defer for a period of not more than ten years the collection of the principal portion of maturing installments and to accept payment of the aggregate amount of such principal on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover the interest payable thereon and in addition thereto such amounts to be applied on the principal after the expiration of the period of deferment as will extinguish the debt within an agreed period of not more than forty years from the date of such agreement. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 4, 1933, c. 270, § 6 (a), 47 Stat. 1549; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 855

F. F. L. Act, § 19

Registrar's duty respecting amount of collateral; United States bonds or cash in lieu of mortgages withdrawn.—It shall be the duty of each farm loan registrar to see that the farm loan bonds delivered by him and outstanding do not exceed the amount of collateral security pledged therefor. Such registrar may, in his discretion, temporarily accept, in place of mortgages withdrawn, United States Government bonds or cash. (July 17, 1916, c. 245, § 19, 39 Stat. 376.)

12 U. S. C., § 856

F. F. L. Act, § 19

Additional security.—The Farm Credit Administration may, at any time, call upon any land bank for additional security to protect the bonds issued by it. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 857

F. F. L. Act, § 19

Acceptable collateral security.—Notwithstanding any other provisions of this subchapter to the contrary, on and after July 1, 1945, subject to the approval of the Farm Credit Administration, any Federal land bank may deposit with the farm-loan registrar of the district, and it shall be the duty of said registrar to accept, as collateral security for farm loan bonds, either originally or by substitution, (a) United States Government obligations direct or fully guaranteed, and (b) notes secured by mortgages or purchase money mortgages on farms, or contracts for the sale of farms; provided any such mortgage, purchase money mortgage, or contract constitutes a first lien on the farm, or its equivalent from a security standpoint as determined by the Farm Credit Administration, and the unpaid balance thereof at the time of acceptance is not in excess of 65 per centum of

*So in original.

the normal value of the farm, as determined upon appraisal made pursuant to this subchapter. (July 17, 1916, c. 245, § 19, 39 Stat. 376; Mar. 4, 1933, c. 270, § 6 (b), 47 Stat. 1549; June 30, 1945, c. 204, § 8, 59 Stat. 268.)

FORM OF FARM LOAN BONDS

12 U. S. C., § 861

F. F. L. Act, § 20

Amount, denomination, and terms; maturity date; interest rates.—Bonds provided for in this subchapter shall be issued in such amounts, denominations, and bear such terms as the Farm Credit Administration may authorize; they shall have a specified maturity, but may, in addition, when stated in the bonds, be redeemable, at the option of the land bank, at an earlier specified date or dates. They shall bear a rate of interest not to exceed $5\frac{1}{2}$ per centum per annum, but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per centum per annum. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Apr. 20, 1920, c. 154, § 5, 41 Stat. 571; Mar. 4, 1921, c. 151, 41 Stat. 1362; Aug. 13, 1921, c. 63, 42 Stat. 159; Mar. 27, 1933, Ex. Or. 6084, June 30, 1945, c. 204, § 9, 59 Stat. 268.)

12 U. S. C., § 862

F. F. L. Act, § 20

Rules and regulations as to payment.—The Farm Credit Administration shall prescribe rules and regulations concerning the circumstances and manner in which farm loan bonds shall be paid and retired under the provisions of this chapter. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 863

F. F. L. Act, § 20

Delivery to bank.—Farm loan bonds shall be delivered through the registrar of the district to the bank applying for the same. (July 17, 1916, c. 245, § 20, 39 Stat. 377.)

12 U. S. C., § 864

F. F. L. Act, § 20

Preparation; custody of plates and dies; exchange for registered bonds; reexchange for coupons.—In order to furnish farm loan bonds for delivery at the Federal land banks and joint stock land banks, the Secretary of the Treasury is authorized to prepare suitable bonds in such form, subject to the provisions of this chapter, as the Farm Credit Administration may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the Farm Credit Administration. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. Any expenses incurred in the preparation, custody, and delivery of such farm loan bonds shall be paid by the Secretary of the Treasury from any funds in the Treasury not otherwise appropriated: *Provided, however,* That the Secretary shall be reimbursed for such expenditures by the Farm Credit Administration through assessment upon the farm land banks in proportion to the work executed. They may be exchanged into registered bonds of any amount, and reexchanged into coupon bonds, at the option of the

holder, under rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 20, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

Effective July 1, 1935, the permanent appropriation provided for in this section was repealed by Act June 26, 1934, c. 756, § 1, 48 Stat. 1224. See section 725 (b) of Title 31, U. S. Code.

SPECIAL PROVISIONS OF FARM LOAN BONDS

12 U. S. C., § 871

F. F. L. Act, § 21

Land banks as bound by acts of officers and Farm Credit Administration in issue of bonds.—Each land bank shall be bound in all respects by the acts of its officers in signing and issuing farm loan bonds and by the acts of the Farm Credit Administration in authorizing their issue. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 872

F. F. L. Act, § 21

Liability of each Federal land bank for bonds issued by it and by other Federal land banks.—Every Federal land bank issuing farm loan bonds shall be primarily liable therefor, and shall also be liable, upon presentation of farm loan bond coupons, for interest payments due upon any farm loan bonds issued by other Federal land banks and remaining unpaid in consequence of the default of such other land banks; and every such bank shall likewise be liable for such portion of the principal of farm loan bonds so issued as shall not be paid after the assets of any such other land banks shall have been liquidated and distributed: *Provided*, That such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent land banks liable therefor in proportion to the amount of farm loan bonds which each may have outstanding at the time of such assessment. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 873

F. F. L. Act, § 21

Federal land banks; action of directors respecting bond liability.—Every Federal land bank shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on farm loan bonds as provided in sections 871–886 of this title. (July 17, 1916, c. 245, § 21, 39 Stat. 377.)

12 U. S. C., § 874

F. F. L. Act, § 21

Signing and attesting bonds; certificate of Land Bank Commissioner.—Every farm loan bond issued by a Federal land bank shall be signed by its president or vice president and attested by its secretary or assistant secretary. For the purpose of signing such bonds the board of directors of any Federal land bank is authorized to select a vice president who need not be a member of the board of directors; such bonds shall also contain in the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of the Federal Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State,

municipal, or local authority; that it is issued against collateral security prescribed by the Federal Farm Loan Act, as amended, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Apr. 20, 1920, c. 154, § 6, 41 Stat. 571; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 75 (b), 80 (a), 48 Stat. 271, 273, June 30, 1945, c. 204, § 10 (a), 59 Stat. 268.)

See note to § 931.

12 U. S. C., § 875

F. F. L. Act, § 21

Consolidated bonds; authority of Federal land banks to issue and sell.—Whenever it shall appear desirable to issue consolidated bonds of the twelve Federal land banks and to sell them through a common selling agency, and the Federal land banks shall, by resolution, consent to the same, the banks may issue and sell said bonds as hereinafter provided. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.)

12 U. S. C., § 876

F. F. L. Act, § 21

Same; signature and attestation; joint and several obligations; recitals.—Every bond so issued shall be signed by the Land Bank Commissioner and attested by any deputy land bank commissioner, and their signatures may be either written or engraved thereon and shall recite in the face of the bond the fact that it is the joint and several obligation of the twelve Federal land banks, and shall in all respects be governed by the provisions of the Federal Farm Loan Act not inconsistent herewith. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

12 U. S. C., § 877

F. F. L. Act, § 21

Same; where payable.—The consolidated bonds issued under sections 874–886 of this title shall be made payable at any Federal land bank, and may be made payable at any Federal reserve bank or banks designated in the face of the bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.)

12 U. S. C., § 878

F. F. L. Act, § 21

Same; act of Commissioner binding on banks.—Each Federal land bank on whose behalf consolidated bonds shall be issued under sections 874–886 of this title shall in all respects be bound by the act of the Land Bank Commissioner and any deputy land bank commissioner. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1925, c. 524, § 6, 43 Stat. 1264; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

12 U. S. C., § 879

F. F. L. Act, § 21

Same; action of directors respecting bond liability.—Every Federal land bank, before participation in a consolidated issue, as herein provided, shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on Federal

farm loan bonds as provided in sections 871–886 of this title and be bound by the action of the Land Bank Commissioner and any deputy land bank commissioner in executing the same. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

12 U. S. C., § 880

F. F. L. Act, § 21

Certificate of Land Bank Commissioner.—Every farm loan bond issued hereunder shall contain on the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of Title I of the Federal Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security prescribed by the Federal Farm Loan Act, as amended, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 75 (b), 80 (a), 48 Stat. 271, 273; June 30, 1945, c. 204, § 10 (b), 59 Stat. 269.)

See note to § 931.

12 U. S. C., § 881

F. F. L. Act, § 21

Farm loan bonds, special provisions of; consolidated bonds; participation of Federal land bank in issue; collateral.—

(a) **Approval of issue requisite; collateral to be held separate from collective security for individual bonds; payments on pledged mortgages as trust funds.**—When any Federal land bank shall desire to participate in a consolidated issue of farm loan bonds it shall make application to the Farm Credit Administration for the approval on its behalf of such issue and tender to the registrar approved farm mortgages, or obligations of the United States Government, as security therefor, and no banks shall participate in such consolidated issue until such application has been approved by the Farm Credit Administration. Such approved farm mortgages or obligations of the United States Government shall be held by each farm loan registrar as collateral security for consolidated bonds, separate and apart from the mortgages and/or Government bonds held by him as collective security for the bonds previously issued or assumed individually by the Federal land bank of his district. Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of consolidated farm loan bonds shall constitute a trust fund in the hands of the Federal land bank receiving the same and shall be applied or employed in the manner provided in sections 891–899 of this title with respect to payments on principal of first mortgages held as collateral for farm loan bonds of individual banks. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

(b) **Notice to registrar of disposition of payments on mortgages held as collateral; maintenance of collateral by banks.**—Every Federal land bank shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held

as collateral security for the issue of consolidated farm loan bonds, and said registrar is authorized, at his discretion to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. Each bank shall maintain with the farm loan registrar of its district collateral security for the issue of consolidated farm loan bonds in an amount at least equal to the face amount of such bonds issued on its behalf. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550.)

(c) Withdrawal of collateral on surrender of bonds.—When any Federal land bank shall surrender to the farm loan registrar of its district any consolidated Federal farm loan bonds, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds previously pledged as collateral in connection with any issue of consolidated farm loan bonds to an amount equal to the consolidated farm loan bonds so surrendered and it shall be the duty of such registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550.)

(d) Additional collateral; payment of bonds and coupons.—The Farm Credit Administration may at any time call upon any Federal land bank for additional security to protect the consolidated bonds issued under the provisions of sections 874–886 of this title. Each bank shall pay when due, without notice, all bonds and coupons issued on its behalf hereunder. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

(e) Power of Federal land bank to exchange consolidated bonds for individual bonds.—Every Federal land bank shall have power to exchange consolidated farm loan bonds for farm loan bonds previously issued or assumed by it individually, with the approval of and under rules and regulations promulgated by the Farm Credit Administration. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 4, 1933, c. 270, § 7, 47 Stat. 1550; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 882

F. F. L. Act, § 21

Consolidated bonds; failure of participating bank to pay interest or principal; liability of other banks.—If any Federal land bank shall fail to pay its proportion of interest or principal as prescribed in section 881 (d) of this title, the Farm Credit Administration shall immediately call upon the other Federal land banks for the amount necessary to make said payment, the assessments to be made in proportion to the capital stock of each, which assessments shall be forthwith paid by said banks. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 883

F. F. L. Act, § 21

Bond committee and subcommittee.—The presidents of the twelve Federal land banks shall constitute the bond committee of

the Federal land banks and shall select a chairman from among their number. The vice president may act in place of the president on the president's request or in case he fails to act. The bond committee may appoint from among their number a subcommittee consisting of three members, to hold office for a period of one year or until their successors have been appointed, may from among their number fill any vacancies on the subcommittee and may dismiss at pleasure the members of the subcommittee or any of them. The subcommittee, if appointed, shall have such authority to exercise the powers and to perform the functions of the bond committee as the bond committee may authorize and shall be subject to all provisions of law relating to the duties and expenses of the bond committee. The committee shall select one of the members of the subcommittee to be chairman and one of the members of the subcommittee to be secretary of the subcommittee. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Aug. 19, 1937, c. 704, § 18, 50 Stat. 709.)

12 U. S. C., § 884

F. F. L. Act, § 21

Consolidated bonds; duties of bond committee.—When an issue of consolidated bonds is contemplated, the bond committee shall determine the amount of such issue, the rate of interest which it is to bear, and the participation of the several banks therein, and submit their recommendations to the Farm Credit Administration for approval. When approved by the Farm Credit Administration the bonds shall be executed by the Land Bank Commissioner and any deputy land bank commissioner, as provided in sections 871–886 of this title. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 80 (a), 81, 48 Stat. 273.)

12 U. S. C., § 885

F. F. L. Act, § 21

Same; expenses.—The expenses of the bond committee and of the sale of bonds shall be charged against the several land banks in proportion to their participation in the proceeds. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.)

12 U. S. C., § 886

F. F. L. Act, § 21

Compensation of members of bond committee.—The presidents of the Federal land banks shall receive no additional compensation for their services as members of the bond committee, but shall be paid necessary traveling expenses. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, § 308, 42 Stat. 1476.)

APPLICATION OF AMORTIZATION AND INTEREST PAYMENTS

12 U. S. C., § 891

F. F. L. Act, § 22

Payments upon mortgages pledged as collateral for bond issue; notice to registrar; cancellation of mortgage and discharge of lien upon full payment.—Whenever any Federal land bank, or joint stock land bank, shall receive any interest, amortization, or other payments upon any first mortgage or bond pledged as collateral se-

curity for the issue of farm loan bonds, it shall forthwith notify the farm loan registrar of the items so received. Said registrar shall forthwith cause such payment to be duly credited upon the mortgage entitled to such credit. Whenever any such mortgage is paid in full, said registrar shall cause the same to be canceled and delivered to the proper land bank, which shall promptly satisfy and discharge the lien of record and transmit such canceled mortgage to the original maker thereof, or his heirs, administrators, executors, or assigns. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

12 U. S. C., § 892

F. F. L. Act, § 22

Withdrawal of collateral and substitution of other security.—Upon written application by any Federal land bank, or joint stock land bank, to the farm loan registrar, it may be permitted, in the discretion of said registrar, to withdraw any mortgages or bonds pledged as collateral security under this chapter, and to substitute therefor other similar mortgages or United States Government bonds not less in amount than the mortgages or bonds desired to be withdrawn. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

12 U. S. C., § 893

F. F. L. Act, § 22

Place and mode of payment of bonds or interest thereon; cancellation on payment.—Whenever any farm loan bonds, or coupons or interest payments of such bonds, are due under their terms, they shall be payable at the land bank by which they were issued, in gold or lawful money, and upon payment shall be duly canceled by said bank. At the discretion of the Farm Credit Administration, payment of any farm loan bond or coupon or interest payment may, however, be authorized to be made at any Federal land bank, any joint stock land bank, or any other bank, under rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 22, 39 Stat. 378; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 894

F. F. L. Act, § 22

Withdrawal of collateral security on surrender of bonds.—When any land bank shall surrender to the proper farm loan registrar any farm loan bonds of any series, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds pledged as collateral security for any of said series of farm loan bonds to an amount equal to the farm loan bonds so surrendered, and it shall be the duty of said registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

12 U. S. C., § 895

F. F. L. Act, § 22

Interest payments on pledged mortgages.—Interest payments on hypothecated first mortgages shall be at the disposal of the land bank pledging the same, and shall be available for the payment of coupons and the interest of farm loan bonds as they become due. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

12 U. S. C., § 896

F. F. L. Act, § 22

Payment of bonds, coupons and interest at maturity.—Whenever any bond matures, or the interest on any registered bond is due or the coupon on any coupon bond matures, and the same shall be presented for payment as provided in this subchapter, the full face value thereof shall be paid to the holder. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

12 U. S. C., § 897

F. F. L. Act, § 22

Same; trust fund from payments on mortgages held as collateral.—Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of farm loan bonds shall constitute a trust fund in the hands of the Federal land bank or joint stock land bank receiving the same, and shall be applied or employed as follows:

In the case of a Federal land bank—

(a) To pay off farm loan bonds issued by or in behalf of said bank as they mature.

(b) To purchase at or below par Federal Farm loan bonds.

(c) To loan on first mortgages on farm lands within the farm credit district, qualified under this chapter as collateral security for an issue of farm loan bonds.

(d) To purchase United States Government bonds.

(e) To purchase Federal Farm Mortgage Corporation bonds.

In the case of a joint stock land bank—

(a) To pay off farm loan bonds issued by said bank as they mature.

(b) To purchase at or below par farm loan bonds.

(c) To loan on first mortgages qualified under sections 811–824 of this title.

(d) To purchase United States Government bonds.

(e) To purchase Federal Farm Mortgage Corporation bonds. (July 17, 1916, c. 245, § 22, 39 Stat. 378; Mar. 4, 1923, c. 252, § 309, 42 Stat. 1477; Jan. 31, 1934, c. 7, § 8 (b), 48 Stat. 347; Aug. 19, 1937, c. 704, §§ 5 (a), 15 (c), 50 Stat. 704, 708.)

New loans by joint stock land banks prohibited after May 12, 1933, except in circumstances permitted under § 810 of this title.

12 U. S. C., § 898

F. F. L. Act, § 22

Same; deposit of trust funds with registrars as substituted collateral security.—The farm loan bonds, first mortgages, United States Government bonds, or cash constituting the trust funds aforesaid, shall be forthwith deposited with the farm loan registrar as substituted collateral security in place of the sums paid on the principal of indorsed mortgages held by him in trust. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

12 U. S. C., § 899

F. F. L. Act, § 22

Same; notice to registrar of disposition of principal payments on mortgages held as collateral; transfer to registrar on demand.—Every Federal land bank, or joint stock land bank, shall notify the farm loan registrar of the disposition of all payments made

on the principal of mortgages held as collateral security for an issue of farm loan bonds, and said registrar is authorized, at his discretion, to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

RESERVES AND DIVIDENDS OF LAND BANKS

12 U. S. C., § 901

F. F. L. Act, § 23

Amount carried to reserve account; making good impairment; debit to reserve account.—

(a) Federal land banks; amount carried to reserve; making good impairment.—Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13.)

(b) Joint stock land banks; amount carried to reserve; making good impairment.—Every joint stock land bank shall semiannually carry to reserve account 25 per centum of its net earnings until said reserve account shall show a credit balance equal to 20 per centum of the outstanding capital stock of said land bank. After said reserve has reached the sum of 20 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be annually added thereto. Whenever said reserve shall have been impaired, said balance of 20 per centum shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

(c) Debit to reserve account.—For the period of two years from the date when any default occurs in the payment to any land bank of the interest, amortization installments, or principal on any first mortgage, by both mortgagor and indorser, the amount so defaulted shall be carried to a suspense account, and at the end of the two-year period specified, unless collected, shall be debited to reserve account. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

12 U. S. C., § 902

F. F. L. Act, § 23

Dividends on balance of net earnings; investment of reserves.—

(a) Federal land bank dividends.—After deducting the 50 per centum or the 10 per centum directed to be deducted for credit to reserve account by section 901 of this title, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13; Mar. 27, 1933, Ex. Or. 6084.)

(b) Joint stock land bank dividends.—After deducting the 25 per centum or the 5 per centum directed to be deducted for credit to reserve account by section 901 of this title, any joint stock land bank may

declare a dividend to shareholders of the whole or any part of the balance of its net earnings: *Provided*, That any dividend or dividends declared by any joint stock land bank shall be subject to the approval of the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (b), 47 Stat. 13; Mar. 27, 1933, Ex. Or. 6084.)

(c) Investment of reserves.—The reserves of land banks shall be invested in accordance with rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

RESERVES AND DIVIDENDS OF NATIONAL FARM LOAN ASSOCIATIONS

12 U. S. C., § 911

F. F. L. Act, § 24

Amount carried to reserve account.—Every national farm loan association shall, out of its net earnings, semiannually carry to reserve account a sum not less than 10 per centum of such net earnings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be semiannually added thereto. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.)

12 U. S. C., § 912

F. F. L. Act, § 24

Making good impairment of reserve.—Whenever the reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.)

12 U. S. C., § 913

F. F. L. Act, § 24

Dividends on balance of net earnings.—After deducting the 10 per centum or the 5 per centum hereinbefore directed to be credited to reserve account, said association may at its discretion declare a dividend to shareholders of the whole or any part of the balance of said net earnings: *Provided*, That the declaration and payment of any such dividend shall be subject to the approval of the Land Bank Commissioner. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13; June 3, 1935, c. 164, § 4, 49 Stat. 315.)

12 U. S. C., § 914

F. F. L. Act, § 24

Investment of reserves.—The reserves of farm loan associations shall be invested in accordance with rules and regulations to be prescribed by the Farm Credit Administration. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 915

F. F. L. Act, § 24

Disposition of reserve on liquidation.—Whenever any farm loan association shall be voluntarily liquidated a sum equal to its reserve account as herein required shall be paid to and become the property of the Federal land bank in which such loan association may be a shareholder. (July 17, 1916, c. 245, § 24, 39 Stat. 379.)

DEFAULTED FARM LOANS

12 U. S. C., § 921

F. F. L. Act, § 25

Mortgage held by Federal land bank; notice to indorsing association; making good default.—If there shall be default under the terms of any indorsed first mortgage held by a Federal land bank under the provisions of this chapter the national farm loan association through which said mortgage was received by said Federal land bank shall be notified of said default. Said association may thereupon be required, within 30 days after such notice, to make good such default, either by payment of the amount unpaid thereon in cash or by the substitution of an equal amount of Federal farm loan bonds, with all unmatured coupons attached. (July 17, 1916, c. 245, § 25, 39 Stat. 380; Mar. 4, 1923, c. 252, § 310, 42 Stat. 1477.)

EXEMPTION FROM TAXATION

12 U. S. C., § 931

F. F. L. Act, § 26

Federal land banks; national farm loan associations; mortgages and bonds as instrumentalities of Government.—Every Federal land bank and every national farm loan association, including the capital and reserve or surplus therein and the income derived therefrom, shall be exempt from Federal, State, municipal, and local taxation, except taxes upon real estate held, purchased, or taken by said bank or association under the provisions of sections 761 and 781 of this title. First mortgages executed to Federal land banks, or to joint stock land banks, and farm loan bonds issued under the provisions of this chapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation. (July 17, 1916, c. 245, § 26, 39 Stat. 380. See notes below.)

Section 817 of the Revenue Act of 1938 provides that notwithstanding the provisions of section 26 of the Federal Farm Loan Act, as amended, in the case of mortgages made or obligations issued by any joint stock land bank after the date of the enactment of said Revenue Act, all income, except interest, derived therefrom shall be included in gross income and shall not be exempt from Federal income taxation. (May 28, 1938, c. 289, sec. 817, 52 Stat. 578.)

Interest upon obligations, and dividends, earnings, or other income from shares, certificates, stock, or other evidences of ownership, and gain from the sale or other disposition of such obligations and evidences of ownership issued on or after March 28, 1942, by the United States or any agency or instrumentality thereof have no exemption, as such, and loss from the sale or other disposition of such obligations or evidences of ownership shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. (31 U. S. C. 742a.)

12 U. S. C., § 932

F. F. L. Act, § 26

Joint stock land banks; State taxation of shareholder, limitations on.—Nothing in sections 931–933 of this title shall prevent the shares in any joint stock land bank from being included in the valuation of the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which the bank is located; but such assessment and taxation shall be in manner and subject to the conditions and limitations contained in section 548 of this title with reference to the shares of national banking associations. (July 17, 1916, c. 245, § 26, 39 Stat. 380.)

12 U. S. C., § 933

F. F. L. Act, § 26

Federal and joint stock land banks; real property not exempt.—Nothing in sections 931–933 of this title shall be construed to exempt the real property of Federal and joint stock land banks and national farm loan associations from either State, county, or municipal taxes, to the same extent, according to its value, as other real property is taxed. (July 17, 1916, c. 245, § 26, 39 Stat. 380.)

INVESTMENT IN FARM LOAN BONDS

12 U. S. C., § 941

F. F. L. Act, § 27

Fiduciary and trust funds; security for public deposits.—Farm loan bonds issued under the provisions of this chapter by Federal land banks or joint stock land banks shall be a lawful investment for all fiduciary and trust funds, and may be accepted as security for all public deposits. (July 17, 1916, c. 245, § 27, 39 Stat. 380.)

12 U. S. C., § 942

F. F. L. Act, § 27

Buying and selling by member banks of Federal reserve system.—Any member bank of the Federal reserve system may buy and sell farm loan bonds issued under the authority of this chapter. (July 17, 1916, c. 245, § 27, 39 Stat. 380.)

12 U. S. C., § 943

F. F. L. Act, § 27

Buying and selling by reserve banks.—Any Federal reserve bank may buy and sell farm loan bonds issued under this chapter to the same extent and subject to the same limitations placed upon the purchase and sale by said banks of State, county, district, and municipal bonds under section 355 of this title. (July 17, 1916, c. 245, § 27, 39 Stat. 380.)

EXAMINATIONS

12 U. S. C., § 951

F. F. L. Act, § 28

Farm credit examiners; appointment; number.—The Farm Credit Administration shall appoint as many farm credit examiners as in its judgment may be required to make careful examinations of the banks and associations permitted to do business under this subchapter and subchapter III of this chapter. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.)

12 U. S. C., § 952

F. F. L. Act, § 28

Requirements, responsibilities, and penalties applicable to examiners; examinations; reports.—Farm credit examiners shall be subject to the same requirements, responsibilities, and penalties as are applicable to national bank examiners under chapters 2 and 3 of this title and other provisions of law. Whenever directed by the Farm Credit Administration, said examiners shall examine the condition of any national farm loan association and report the same to the Land Bank Commissioner. They shall examine and report the condition of every Federal land bank and joint stock land bank at least once each year. (July 17, 1916, c. 245, § 28, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710, July 12, 1943, c. 15, § 1, 57 Stat. 424.)

12 U. S. C., § 953

F. F. L. Act, § 28

Salaries of examiners.—Farm credit examiners shall receive salaries to be fixed by the Farm Credit Administration. (July 17, 1916, c. 245, § 28; 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.)

For assessments on banks for costs of examinations, see § 832 of this title.

RECEIVERS AND CONSERVATORS

12 U. S. C., § 961

F. F. L. Act, § 29

National farm loan associations; institution and conduct of receivership; duties and powers of receivers.—Upon receiving satisfactory evidence that any national farm loan association has failed to meet its outstanding obligations of any description the Farm Credit Administration may forthwith declare such association insolvent and appoint a receiver and require of him such bond and security as it deems proper: *Provided*, That no national farm loan association shall be declared insolvent by said administration until the total amount of defaults of current interest and amortization installments on loans indorsed by national farm loan associations shall amount to at least \$150,000 in the farm credit district, unless such association shall have been in default for a period of two years. Such receiver, under the direction of the Farm Credit Administration, shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to it, and, with the approval of the Farm Credit Administration, or upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like approval or order, may sell all the real and personal property of such association, on such terms as the Farm Credit Administration or said court shall direct. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

12 U. S. C., § 962

F. F. L. Act, § 29

Disposition of moneys collected by receiver; reports.—Such receiver shall pay over all money so collected to the Treasurer of the

United States, subject to the order of the Farm Credit Administration, and also make report to said administration of all his acts and proceedings. The Secretary of the Treasury shall have authority to deposit at interest any money so received. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 963

F. F. L. Act, § 29

Federal and joint stock land banks; institution and conduct of receivership.—Upon default of any obligation, Federal land banks and joint stock land banks may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961–967 regarding national farm loan associations. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.)

The United States Code uses the term “961–963, 964–967” instead of the foregoing “961–967.”

12 U. S. C., § 964

F. F. L. Act, § 29

National farm loan associations; disposition of stock in Federal land bank.—If any national farm loan association shall be declared insolvent and a receiver shall be appointed therefor by the Farm Credit Administration, the stock held by it in the Federal land bank of its district shall be canceled without impairment of its liability and all payments on such stock, with accrued dividends, if any, since the date of the last dividend shall be first applied to all debts of the insolvent farm loan association to the Federal land bank and the balance, if any, shall be paid to the receiver of said farm loan association: *Provided*, That in estimating said debts contingent liabilities incurred by national farm loan associations under the provisions of this chapter on account of default of principal or interest of indorsed mortgages shall be estimated and included as a debt, and said contingent liabilities shall be determined by agreement between the receiver and the Federal land bank of the district, subject to the approval of the Farm Credit Administration, and if said receiver and said land bank cannot agree, then by the decision of the Land Bank Commissioner, and the amount thus ascertained shall be deducted in accordance with the provisions of section 961–967 of this title from the amount otherwise due said national farm loan association for said canceled stock. Whenever the capital stock of a Federal land bank shall be reduced, the board of directors shall cause to be executed a certificate to the Farm Credit Administration, showing such reduction of capital stock, and, if said reduction shall be due to the insolvency of a national farm loan association, the amount repaid to such association. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

12 U. S. C., § 965

F. F. L. Act, § 29

Voluntary liquidation; consolidation of farm loan associations.—No national farm loan association, Federal land bank or joint stock land bank shall go into voluntary liquidation without the written consent of the Farm Credit Administration, but national farm loan associations may consolidate under rules and regulations promulgated

by the Farm Credit Administration. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 27, 1933, Ex. Or. 6084.)

For limitations on new business of joint stock land banks, and provisions for assisting in their orderly liquidation, see § 810 and § 823 (note), of this title.

12 U. S. C., § 966

F. F. L. Act, § 29

National farm loan associations; disposition of stock in Federal land bank upon voluntary liquidation; personal liability of members.—Upon liquidation of any national farm loan association, the stock in the Federal land bank held by such association shall be canceled and the Federal land bank shall thereupon issue to the borrowers through such association an amount of stock in the Federal land bank equal to the amount of stock held by such borrowers in the liquidated association, such stock to be held by the bank as collateral to the loans of such borrowers and to be paid off and retired at par in the same manner as stock held by borrowers in farm loan associations, and the Federal land bank shall pay to the borrowers holding such stock the same dividends as are paid to national farm loan associations by such bank. The personal liability of the stockholders in such liquidated association to the association shall survive such liquidation and shall be vested in the bank in that district, which may enforce the same as fully as the association could if in existence. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 4, 1923, c. 252, § 311, 42 Stat. 1478.)

12 U. S. C., § 967

F. F. L. Act, § 29

Conservator in lieu of receiver—(a) Appointment; compensation; expenses.—Upon receiving satisfactory evidence that any national farm loan association has failed to meet its outstanding obligations of any description, and that it will be to the best interests of its creditors and stockholders for the association to continue in business, the Farm Credit Administration may, in its discretion, in lieu of appointing a receiver as provided in sections 961–966 of this title, appoint a conservator for such association and require of him such bond and security as the Administration may deem proper. The person so appointed shall be a land bank appraiser appointed under the authority of sections 651–664 of this title: *Provided, however,* That the Farm Credit Administration may, in its discretion, appoint some other qualified person. Any land bank appraiser appointed as a conservator shall serve without any additional compensation. Any other person appointed as a conservator shall receive such compensation as the Farm Credit Administration may authorize. Such compensation and all necessary and proper expenses of any such conservatorship shall be paid out of the assets of such association and shall be a lien thereon which shall be prior to any other lien. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

(b) Conservation of assets; preparation of report of association's financial condition.—The conservator, under the direction of the Farm Credit Administration, may, when directed so to do, take possession of the books, records, and assets of every description of such association, and take such action as may be necessary to conserve such assets pending final determination of the financial condition of

the association and the conditions under which it may be permitted to continue in business. Such conservator shall at the earliest practicable date make such investigations as shall be necessary to enable him to prepare an accurate report on the financial condition of such association. In preparing such report he shall value the association's assets and determine its indebtedness: *Provided*, That in determining said indebtedness contingent liabilities incurred by the association under the provisions of this chapter on endorsed mortgages shall be estimated and included as a debt. On the basis of said evaluation of the association's assets and indebtedness, the conservator shall determine the fair book value of the outstanding stock of said association and the claims of any retired shareholders based on their previous stock ownership. Upon its completion said report shall be submitted to the Federal land bank of the district and said bank shall thereupon indicate its approval thereof or note any exceptions thereto and submit such report together with its exceptions, if any, to the Farm Credit Administration for consideration. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

(c) Approval or disapproval of report; powers of Administration.—If said report is approved, in whole or in part, by the Farm Credit Administration, upon recommendation of the Federal land bank of the district said Administration shall then decide whether such association shall be permitted to pay off and retire its capital stock at its fair book value, upon full payment of the mortgage loans in connection with which such stock was issued originally, and to settle on the same basis the claims of any of its stockholders who have previously paid their loans in full, but have not received credit for, or the proceeds of their stock in such association. At the same time the Farm Credit Administration shall also decide whether it will permit said association to admit new members pursuant to section 724 of this title. If the decision of said Administration is in the affirmative, it may terminate the conservatorship and turn the affairs of the association back to its board of directors. If said report is not approved or the decision of said Administration is in the negative, it may, in its discretion, terminate the conservatorship and permit such association to resume the transaction of its business subject to such terms, conditions, restrictions, and limitations as it may prescribe for the protection of the rights of creditors and stockholders, or said Administration may appoint a receiver for the association as provided in sections 961–966 of this title. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

(d) Settlement with shareholders.—Any settlement made with a retiring or retired shareholder on the basis of the fair book value of the stock of the association pursuant to this section shall be made only on condition that said shareholder agrees to accept such settlement as payment in full. If any shareholder or former shareholder does not desire to settle on such basis, he may, in lieu thereof, be given a participation certificate which will entitle him to share pro rata, on the basis of the number of shares of stock which he owned in the association, in the distribution of any assets of the association which is made after all of its indebtedness to creditors has been satisfied. The Federal land bank of the district may pay to the association from

the proceeds of bank stock retired in connection with the payment in full of loans endorsed by such association an amount sufficient to permit the association to make the settlements provided for in this section and any balance of such proceeds shall be retained by the bank and applied as a credit on the indebtedness of the association to it. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

(e) Readjustment of fair book value of under par stock.—After any determination by the Farm Credit Administration as provided in this section, that the fair book value of the stock of a national farm loan association is less than the par value thereof, periodically thereafter any increase in the fair book value of said stock resulting from earnings of the association and actual recoveries in excess of the valuations used by the Farm Credit Administration in determining the fair book value of the stock of such association, as provided in this section, shall, under rules and regulations of the Farm Credit Administration, be apportioned ratably on a per-share basis to all outstanding stock or participation certificates having a fair book value less than par until the fair book value of all such stock or participation certificates is equal to the par value thereof. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

(f) Continued losses; appointment of another conservator or receiver.—In the event that the indebtedness, as determined by the conservator, of an association which has been under conservatorship pursuant to this section increases in excess of the earnings of such association, the Farm Credit Administration may, in its discretion, again appoint a conservator for the association, or it may appoint a receiver as provided in sections 961–966 of this title. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Aug. 19, 1937, c. 704, § 25 (d), 50 Stat. 713.)

STATE LEGISLATION IMPAIRING SECURITY OF FARM LOANS

12 U. S. C., § 971

F. F. L. Act, § 30

Examination to ascertain adequacy of safeguards to mortgagee.—It shall be the duty of the Land Bank Commissioner to make examination of the laws of every State of the United States and to inform the Farm Credit Administration as rapidly as may be whether in his judgment the laws of each State relating to the conveying and recording of land titles, and the foreclosure of mortgages or other instruments securing loans, as well as providing homestead and other exemptions and granting the power to waive such exemptions as respects first mortgages, are such as to assure the holder thereof adequate safeguards against loss in the event of default on loans secured by any such mortgages. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 972

F. F. L. Act, § 30

Effect of insufficient protection on mortgages covering land in State; assistance in examining laws.—Pending the making of such

examination in the case of any State, the Farm Credit Administration may declare first mortgages on farm lands situated within such State ineligible as the basis for an issue of farm loan bonds; and if said examination shall show that the laws of any such State afford insufficient protection to the holder of first mortgages of the kinds provided in this subchapter, said Farm Credit Administration may declare said first mortgages on land situated in such State ineligible during the continuance of the laws in question. In making his examination of the laws of the several States and forming his conclusions thereon said Land Bank Commissioner may call upon the office of the Attorney General of the United States for any needed legal advice or assistance, or may employ special counsel in any State where he considers such action necessary. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 973

F. F. L. Act, § 30

Statement to State Executive.—At the request of the Executive of any State the Farm Credit Administration shall prepare a statement setting forth in what respects the requirements of said administration cannot be complied with under the existing laws of such State. (July 17, 1916, c. 245, § 30, 39 Stat. 382; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Loan Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

GOVERNMENT DEPOSITS IN LAND BANKS

12 U. S. C., § 991

F. F. L. Act, § 32

Interest rate; security; maximum amount.—The Secretary of the Treasury is authorized, in his discretion, upon the request of the Farm Credit Administration, to make deposits for the temporary use of any Federal land bank, out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the Treasury a certificate of indebtedness for any such deposit, bearing a rate of interest not to exceed the current rate charged for other Government deposits, to be secured by farm loan bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the discretion of the Secretary of the Treasury. The aggregate of all sums so deposited by the Secretary of the Treasury shall not exceed the sum of \$6,000,000 at any one time. (July 17, 1916, c. 245, § 32, 39 Stat. 384; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Federal land banks as depositaries of public money, see § 701 of this title.

12 U. S. C., § 992

F. F. L. Act, § 32

Government guaranty of interest on qualified Federal land bank bonds issued during limited period; use of proceeds of such bonds; limitation on aggregate amount of such bonds; payment of interest by Government upon inability of issuing bank; rights of Government after such payment.—Until such time as the Land Bank Commissioner determines that Federal farm loan bonds (other than those issued under this paragraph) are readily salable in the open market at a yield not in excess of 4 per centum per annum, but in no case more than two years after May 12, 1933, Federal land banks may issue farm loan bonds as authorized under this subchapter, for the purpose of making new loans, or for purchasing mortgages or exchanging bonds for mortgages as provided in paragraph "Second" of section 781 of this title. The aggregate amount of the bonds issued under this paragraph shall not exceed \$2,000,000,000, and such bonds shall be issued in such denominations as the Land Bank Commissioner shall prescribe, shall bear interest at a rate not in excess of 4 per centum per annum, and shall be fully and unconditionally guaranteed as to interest by the United States, and such guaranty shall be expressed on the face thereof. In the event that it shall appear to the Land Bank Commissioner that the issuing bank or banks will be unable to pay upon demand, when due, the interest on any such bonds, the Secretary of the Treasury shall, upon the request of the Commissioner, pay the amount thereof, which is authorized to be appropriated out of any money in the Treasury not otherwise appropriated. Upon the payment of such interest by the Secretary of the Treasury the amount so paid shall become an obligation to the United States of the issuing bank or banks and shall bear interest at the same rate as that borne by the bonds upon which the interest has been so paid. After the expiration of one year from May 12, 1933, if in the opinion of the Land Bank Commissioner any part of the proceeds of the bonds authorized to be issued under this paragraph is not required for the purpose of making new loans or for purchasing mortgages or exchanging bonds for mortgages as herein provided, such bonds may be issued within the maximum limit herein specified for the purpose of refinancing any outstanding issues of Federal farm loan bonds; but no such bonds shall be issued after two years from May 12, 1933, for the purpose of such refinancing. (July 17, 1916, c. 245, § 32, 39 Stat. 384; May 12, 1933, c. 25, § 21, 48 Stat. 41; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

Limitation on issuance of bonds under this section, see § 992a of this title.

12 U. S. C., § 992a

Limitation of section 992.—After ninety days after January 31, 1934, no Federal land bank shall issue any bonds under the provisions of section 992 of this title, subject to the guarantee of interest on such bonds by the United States except for the purpose of refinancing any bond which is or has been issued subject to such guarantee of interest. (Jan. 31, 1934, c. 7, § 5, 48 Stat. 346.)

12 U. S. C., § 993

F. F. L. Act, § 32

Bonds issued under section 992; delivery in payment of certain mortgages.—Any borrower who obtains a loan from a Federal land bank after May 12, 1933, may, at any time after the expiration of five years from the date such loan was made, tender to such bank on any regular installment date, bonds issued under section 992 of this title in an amount not to exceed the unpaid principal of his loan, and the bonds so tendered shall be accepted by the bank at par in payment of any part of such unpaid principal. (July 17, 1916, c. 245, § 32, 39 Stat. 384; May 12, 1933, c. 25, § 21, 48 Stat. 41.)

ORGANIZATION EXPENSES

12 U. S. C., § 1001

F. F. L. Act, § 33

Appropriation for expenses.—The sum of \$100,000, or so much thereof as may be necessary, is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to be expended under the direction of the Federal Farm Loan Board, for the purpose of carrying into effect the provisions of this subchapter, including the rent and equipment of necessary offices. (July 17, 1916, c. 245, § 33, 39 Stat. 384.)

The United States Code omits the text of this section, with an explanatory note.

LIMITATION OF COURT DECISIONS

12 U. S. C., § 1011

F. F. L. Act, § 34

Limitation of court decisions respecting validity of provisions.—If any clause, sentence, paragraph, or part of this subchapter or of subchapter III hereof shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said subchapters, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered. (July 17, 1916, c. 245, § 34, 39 Stat. 384.)

AMENDMENTS TO CHAPTER

12 U. S. C., § 1012

F. F. L. Act, § 35

Reservation of right to amend.—The right to amend, alter, or repeal this subchapter or subchapter III of this chapter is hereby expressly reserved. (July 17, 1916, c. 245, § 35, 39 Stat. 384.)

SUBCHAPTER II—LOANS TO FARMERS BY LAND BANK COMMISSIONER

12 U. S. C., § 1016

Loans to farmers by Land Bank Commissioner; provisions governing—(a) Funds available to Commissioner; security for Commissioner's loans.—The Reconstruction Finance Corporation is authorized and directed to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans as hereinafter provided to any farmer, secured by a first or second mortgage upon the whole or any part of the farm property, real or personal, including crops, of the farmer. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

This subsection is omitted in the United States Code, with an explanatory note. The subsection is inoperative, by virtue of the provisions of Act June 30, 1947, Chapter 166, title II, section 206 (h), 61 Stat. 208, which repealed so much of section 32 of Act May 12, 1933, cited to text, as authorized or directed the Reconstruction Finance Corporation to make funds available to the Land Bank Commissioner.

(b) Maximum loan; value of security for loan; valuation of farm property.—The amount of the mortgage given by any farmer, together with all prior mortgages or other evidences of indebtedness secured by such farm property of the farmer, shall not exceed 75 per centum of the normal value thereof, as determined upon an appraisal made pursuant to the preceding subchapter as amended; nor shall a loan in excess of \$7,500, be made to any one farmer. For the purposes of this section, farm property may be valued at an amount representing a prudent investment, consistent with community standards and rentals, if (1) the person occupying the property is not entirely dependent upon farm income for his livelihood but receives a part of his income from other dependable sources, and (2) the farm income from the property, together with earnings from other dependable sources ordinarily available in the community to a person operating such property, would be sufficient to support his family, to pay operating expenses and fixed charges, and to discharge the interest and amortization payments on the loan. (May 12, 1933, c. 25, § 32, 48 Stat. 48; Jan. 31, 1934, c. 7, § 10, 48 Stat. 347; May 28, 1935, c. 150, § 32, 49 Stat. 300.)

(c) Provisions to be included in mortgage; interest rate; repayment of principal in installments; maximum terms of loans as affected by character of security; privilege of deferring principal payments during first three years of loan.—Every mortgage made under this section shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments, sufficient to cover (1) interest on unpaid principal at a rate of 1 per centum per annum higher than the rate on loans through national farm loan associations made at the same time by the Federal land bank in the farm credit district in which the security for the loan under this section is located: *Provided*, however, That loans guaranteed under sections 694–694e of Title 38 may be made at such lower rate as may be necessary to qualify them for such guaranty and (2) such payments equal in

amount to be applied on principal as will extinguish the debt within an agreed period of not more than ten years or, in the case of a first or second mortgage secured wholly by real property within an agreed period no greater than that for which loans may be made under the preceding subchapter, from the date the first payment on principal is due: *Provided*, That when in the judgment of the Land Bank Commissioner conditions justify it, any mortgage made under this section may provide that during the first three years the loan is in effect payments of interest only may be required if the borrower shall not be in default with respect to any other condition or covenant of his mortgage.

(1) *Substitution of Federal land bank loan.*—The instruments under which each loan under this section is made and security given therefor shall provide that if at any time it shall appear to the lender that the borrower may be able to obtain a Federal land bank loan on the mortgaged property, the borrower shall, on request of the lender, apply for a Federal land bank loan to pay off the loan under this section, and shall accept such loan as may be offered to him by the Federal land bank, if sufficient in amount to pay the loan under this section and pay for any stock which it is necessary for him to purchase in obtaining the loan from the Federal land bank. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 3, 1935, c. 164, § 2 (a), 49 Stat. 313; Aug. 19, 1937, c. 704, § 14, 50 Stat. 708, June 30, 1945, c. 204, §§ 11-13, 59 Stat. 269.)

(d) **Requirement of waiver by prior lien holder.**—No loan shall be made under this section unless the holder of any prior mortgage or instrument of indebtedness secured by such farm property arranges to the satisfaction of the Land Bank Commissioner to limit his right to proceed against the farmer and such farm property for default in payment of principal. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

(e) **Purpose of loans.**—Loans may be made under this section for any of the purposes for which Federal land banks are authorized by law to make loans, and for the following additional purpose, and none other: Refinancing, in connection with proceedings under chapter 8 of Title 11 [U. S. Code], as amended, any indebtedness, secured or unsecured, of the farmer, or which is secured by a lien on all or any part of the farm property accepted as security for the loan. The provisions of paragraph "Ninth" of section 781 of this title (relating to charges to applicants for loans and borrowers from the Federal land banks), shall, so far as practicable, apply to loans made under this section. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 11, 1934, c. 446, 48 Stat. 929; June 3, 1935 c. 164, § 2 (b), 49 Stat. 313; Aug. 19, 1937, c. 704, § 13, 50 Stat. 708.)

(f) **Definitions; loans to corporations; exceptions.**—As used in this section, (1) the term "farmer" means any person who is at the time, or shortly to become, bona fide engaged in farming operations, either personally or through an agent or tenant, or the principal part of whose income is derived from farming operations or livestock raising, and includes a personal representative of a deceased farmer; (2) the term "person" includes an individual or a corporation engaged in the raising of livestock; and (3) the term "corporation" includes any incorporated association; but no such loan shall be made to a

corporation (A) unless all the stock of the corporation is owned by individuals themselves personally actually engaged in the raising of livestock on the land to be mortgaged as security for the loan, except in a case where the Land Bank Commissioner permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 3, 1935, c. 164, § 2 (c), 49 Stat. 313.)

(g) Loans by Commissioner on behalf of Federal Farm Mortgage Corporation; loans in cash or bonds; amount available.—Until July 1, 1947, the Land Bank Commissioner shall, in his name, make loans under this section on behalf of the Federal Farm Mortgage Corporation, and may make such loans in cash or in bonds of the corporation, or if acceptable to the borrower, in consolidated farm loan bonds; but no such loans shall be made by him after July 1, 1947, except for the purpose of refinancing loans previously made by him under this section. As much as may be necessary of the assets of the corporation, including the bonds (and proceeds thereof) issued under section 1020c of this title, may be used for the purposes of this section. (May 12, 1933, c. 25, § 32, 48 Stat. 48; Jan. 31, 1934, c. 7, § 9, 48 Stat. 347; June 3, 1935, c. 164, § 2 (d), 49 Stat. 314; Feb. 1, 1940, c. 19, 54 Stat. 19; June 3, 1942, c. 321, 56 Stat. 306; June 26, 1943, c. 146, 57 Stat. 196; July 12, 1946, c. 570, § 1, 60 Stat. 532.)

(h) Execution of instruments by Federal land banks; presumption of authority.—Any Federal land bank, when duly authorized by the Land Bank Commissioner and the Federal Farm Mortgage Corporation, shall have the power to execute any instrument relating to any mortgage taken to secure a loan made or to be made under this section, or relating to any property included in any such mortgage, or relating to any property acquired by the Land Bank Commissioner and/or the Federal Farm Mortgage Corporation. Any such instrument heretofore or hereafter executed on behalf of the Land Bank Commissioner and/or the Federal Farm Mortgage Corporation by a Federal land bank, through its duly authorized officers, shall be conclusively presumed to have been duly authorized by the Land Bank Commissioner and the Federal Farm Mortgage Corporation. (May 12, 1933, c. 25, § 32, 48 Stat. 48; June 3, 1935, c. 164, § 2 (e), 49 Stat. 314.)

(i) Rate of interest payable on certain installment dates.—Notwithstanding the foregoing provisions of this section, the rate of interest on loans made under this section shall not exceed 4 per centum per annum for all interest payable on installment dates occurring on or after July 22, 1937, and prior to July 1, 1940, and shall not exceed 3½ per centum per annum for all interest payable on installment dates occurring on or after July 1, 1940, and prior to July 1, 1944, and shall not exceed 4 per centum per annum for all interest payable on installment dates occurring on or after July 1, 1944, and prior to July 1, 1945. Notwithstanding the interest rate provided

for in so-called purchase-money mortgages and real estate sales contracts taken by the Federal Farm Mortgage Corporation, the rate of interest payable on such mortgages and contracts shall not exceed 4 per centum per annum for all interest payable on installment dates occurring on and after July 1, 1942, and prior to July 1, 1944. (May 12, 1933, c. 25, § 32, 48 Stat. 48; July 22, 1937, c. 516, § 2, 50 Stat. 521; June 16, 1938, c. 462, § 2, 52 Stat. 709; Feb. 1, 1940, c. 19, 54 Stat. 19; June 29, 1940, c. 441, § 1, 54 Stat. 684; June 27, 1942, c. 449, § 2, 56 Stat. 392; June 26, 1943, c. 146, 57 Stat. 196; June 30, 1944, c. 329, 58 Stat. 646.)

Transfer of funds and proceeds thereof made available to Land Bank Commissioner under this section, and mortgages and credit instruments taken by Commissioner, to Federal Farm Mortgage Corporation, see section 1020 (b) of this title.

In connection with Commissioner's loans in Puerto Rico, see note * to § 672 of this title. Commissioner loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this title.

12 U. S. C., § 1017

Rules and regulations; appointment, employment, and compensation of officers, employees, and agents.—The Land Bank Commissioner is authorized to make such rules and regulations, and to appoint, employ, and fix the compensation of such officers, employees, attorneys, and agents as may be necessary to carry out the purposes of this subchapter and to make the relief contemplated by this subchapter immediately available, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States: *Provided*, That no salary or compensation in excess of \$10,000 shall be paid to any person employed under the terms of the foregoing section. (May 12, 1933, c. 25, § 33, 48 Stat. 49; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

12 U. S. C., § 1018

Facilities of Federal land banks and national farm loan associations available to Commissioner.—The Federal land banks and the national farm loan associations are authorized, upon request of the Land Bank Commissioner, to make available to him their services and facilities to aid in administering the provisions of this subchapter. (May 12, 1933, c. 25, § 34, 48 Stat. 49; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273.)

12 U. S. C., § 1019

Penalties for false representation in obtaining loan.—Any person who shall knowingly make any material false representation for the purpose of obtaining any loan under sections 1016–1019 of this title, or in assisting in obtaining any such loan, shall, upon conviction thereof, be fined not more than \$1,000, or imprisoned not more than six months, or both. (May 12, 1933, c. 25, § 35, 48 Stat. 49.)

SUBCHAPTER II-A.—FEDERAL FARM MORTGAGE CORPORATION

Farm Credit Administration, Federal Farm Mortgage Corporation, and Commodity Credit Corporation, and their functions and activities, together with their respective personnel, records, and property were transferred to Department of Agriculture by 1939 Reorg. Plan No. 1, sec. 401, effective July 1, 1939, set out in note under section 133t of Title 5, Executive Departments and Government Officers and Employees.

Financial control of corporations, see Chap. 14 of Title 31, Money and Finance.

12 U. S. C., § 1020

Establishment of corporation; directors; bylaws; regulations; officers and employees.—There is established a corporation to be known as the “Federal Farm Mortgage Corporation”, in this subchapter referred to as the “corporation.” The principal office of the corporation shall be located in the District of Columbia and the management of the corporation shall be vested in a board of directors consisting of the Secretary of the Treasury, or an officer of the Treasury designated by him, the Governor of the Farm Credit Administration, in this subchapter referred to as the “Governor”, and the Land Bank Commissioner. The directors shall receive no additional compensation for their services as directors of the corporation, but may be allowed actual necessary traveling and subsistence expenses when engaged in the business of the corporation outside of the District of Columbia. The Governor shall be the chairman of the board of directors. The directors shall have power to adopt such bylaws, rules, regulations, and amendments thereto as they deem necessary for the conduct of the business of the corporation authorized under this subchapter. The directors shall have power, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States to employ and fix the compensation and duties of such agents, officers, and employees of the corporation as may be necessary to carry out the powers and duties conferred upon the corporation by this subchapter, to require bonds of them and fix the penalties thereof and dismiss them at pleasure, and to prescribe the manner in which the obligations of the corporation shall be incurred and its expenses allowed and paid, but the rates of compensation of such agents, officers, and employees of the corporation shall not exceed the rates of compensation prescribed for comparable duties by sections 661–663, 664–669, 670–672, 673, and 674 of Title 5. (Jan. 31, 1934, c. 7, § 1, 48 Stat. 344.)

Federal Farm Mortgage Corporation was transferred to the Department of Agriculture. See note preceding this section.

United States obligations issued after February 28, 1941, subject to Federal taxation. See section 742a of Title 31, Money and Finance.

12 U. S. C., § 1020a

Period of succession; powers; free use of mails; use of Government facilities.—The corporation shall have succession until dissolved by Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, and to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of its business; and shall have such other

powers as may be necessary and incident to carrying out its powers and duties under this subchapter. The corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The corporation, with the consent of any board, commission, independent establishment, or executive department of the Government, may avail itself of the use of information, services, facilities, officers, agents, and employees thereof, in carrying out the provisions of this subchapter. (Jan. 31, 1934, c. 7, § 2, 48 Stat. 345.)

Authorization of Federal Farm Mortgage Corporation to act as fiscal agent of the United States, see § 1138b of this title.

12 U. S. C., § 1020a-1

Capital investment expenditures as nonadministrative expenses.—All expenditures which under the accounting system prescribed for the Federal Farm Mortgage Corporation by the General Accounting Office are to be treated as capital investments, increasing the book value of acquired fixed property (real estate and chattel), shall be considered as nonadministrative expenses for the purposes of section 712a of title 15. (September 21, 1944, c. 412, title VI, § 603, 58 Stat. 741.)

12 U. S. C., § 1020b

Capital; amount; subscription by United States.—The capital of the corporation shall be in the sum of \$200,000,000, which shall be subscribed by the Governor on behalf of the United States in such amounts and at such times as he deems necessary for the purposes of the corporation. For the purpose of such capital subscription, the funds and proceeds thereof made available to the Land Bank Commissioner under section 1016 of this title and the mortgages taken by the Commissioner and the credit instruments secured thereby are transferred to the Corporation. The Federal Farm Mortgage Corporation is authorized to repay to the Secretary of the Treasury on behalf of the United States from time to time such portions of the amounts subscribed to the capital stock of the Corporation as are found by the board of directors to be in excess of the capital necessary to enable the Corporation to carry out its functions as authorized by law. The proceeds of such repayments shall be held in the Treasury of the United States as a fund available for subscription, by the Governor on behalf of the United States with the approval of the Secretary of the Treasury, to the capital of the Corporation when, in the judgment of the directors of the Corporation, additional subscriptions to its capital are necessary. (Jan. 31, 1934, c. 7, § 3, 48 Stat. 345; June 25, 1940, c. 427, § 4, 54 Stat. 573; June 30, 1945, c. 204, § 14, 59 Stat. 269; July 12, 1946, c. 570, § 2, 60 Stat. 532.)

Cancellation of notes, indebtedness, etc., of Reconstruction Finance Corporation. See Section 611a of Title 15, Commerce and Trade.

12 U. S. C., § 1020c

Bonds, aggregate amount; guaranty by United States; purchase and sale of by United States; exchange of for consolidated farm loan bonds.—With the approval of the Secretary of the Treasury, the corporation is authorized to issue and have outstanding at any one time bonds in an aggregate amount not exceeding \$2,000,000,000. Such bonds shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices, as may be prescribed by the corporation, with the approval of the Secretary of the Treasury. Such bonds shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof, and such bonds shall be lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In the event that the corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such bonds, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such bonds. The Secretary of the Treasury, in his discretion, is authorized to purchase any bonds of the corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities hereafter issued under sections 745, 747, 752–754b, 757, 757b, 757c, 758, 760, 764–766, 769, 771, 773, 774 (2), and 801 of Title 31 [U. S. Code], and the purposes for which securities may be issued under such sections are extended to include any purchases of the corporation's bonds hereunder. The Secretary of the Treasury may, at any time, sell any of the bonds of the corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the bonds of the corporation shall be treated as public debt transactions of the United States. No such bonds shall be issued in excess of the assets of the corporation, including the assets to be obtained from the proceeds of such bonds, but a failure to comply with this provision shall not invalidate the bonds or the guaranty of the same. The corporation shall have power to purchase such bonds in the open market at any time and at any price. On such terms and conditions as may be agreed upon, the corporation may exchange such bonds, upon application of any Federal land bank for consolidated farm loan bonds of equal face value issued under subchapter I of this chapter, and may exchange such consolidated farm loan bonds held by it for bonds of the corporation of equal face value. (Jan. 31, 1934, c. 7, § 4 (a), 48 Stat. 345; April 27, 1934, c. 168, § 14, 48 Stat. 647.)

The Government Corporations Appropriation Act, 1949, provides that "the aggregate amount of bonds the Corporation may issue and have outstanding at any one time shall not exceed \$500,000,000."

12 U. S. C., § 1020d

Purchase of consolidated farm loan bonds; loans to Federal and joint stock land banks; investment in mortgages; extensions; sale and assignment of notes and mortgages.—The corporation is further authorized to purchase from time to time, for cash, such consolidated farm loan bonds at such prices and upon such terms as may be approved by the board of directors of the corporation; to make loans to Federal land banks and joint stock land banks on the security of real estate mortgages, sheriff's certificates, sales contracts and real estate, upon such terms and conditions as shall be prescribed by the board of directors of the corporation: *Provided, however,* That loans outstanding to joint stock land banks under this section shall not at any one time exceed in the aggregate \$10,000,000: to make loans to Federal land banks on the security of consolidated farm loan bonds; and to invest its funds in mortgage loans made under section 1016 of this title.

When in the judgment of the directors conditions justify it, the corporation shall have power to extend, in whole or in part, any unpaid obligation under the terms of any mortgage, and to accept payment of any such obligation together with interest thereon, at a rate not exceeding 5 per centum per annum, during such period and in such amounts as may be agreed upon at the date of making such extension. The Corporation is authorized and empowered to sell and assign, without recourse and without warranty, its notes and mortgages representing loans made by the Land Bank Commissioner pursuant to section 1016 of this title, to the Federal land bank located in the farm credit district in which the mortgaged farm properties are situated and to sell and assign in like manner purchase money mortgages and contracts for the sale of farms held by the Federal Farm Mortgage Corporation in connection with the sale of farm property situated in such district. (Jan. 31, 1934, c. 7, § 4(b), 48 Stat. 346; Aug. 19, 1937, c. 704, §§ 2, 4, 50 Stat. 703; June 30, 1945, c. 204, § 15, 59 Stat. 264.)

12 U. S. C., § 1020e

Preparation of bonds.—In order to furnish bonds for delivery by the Federal Farm Mortgage Corporation, the Secretary of the Treasury is authorized to prepare suitable bonds in such form, subject to the provisions of this subchapter, as the board of directors may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the corporation. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The corporation shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such bonds. (Jan. 31, 1934, c. 7, § 4 (c), 48 Stat. 346.)

12 U. S. C., § 1020f

Exemptions from taxation.—(a) The corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except

that any real property of the corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(b) Mortgages executed to the Land Bank Commissioner and mortgages held by the corporation, and the credit instruments secured thereby, and bonds issued by the corporation under the provisions of this subchapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation (except surtaxes, estate, inheritance, and gift taxes). (Jan. 31, 1934, c. 7, § 12, 48 Stat. 347; Feb. 26, 1934, c. 33, 48 Stat. 360.)

Interest upon obligations, and dividends, earnings, or other income from shares, certificates, stock, or other evidences of ownership, and gain from the sale or other disposition of such obligations and evidences of ownership issued on or after March 28, 1942, by the United States or any agency or instrumentality thereof have no exemption, as such, and loss from the sale or other disposition of such obligations or evidences of ownership shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. (31 U. S. C. 742a.)

12 U. S. C., § 1020g

Severability clause; reservation of right to amend.—(a) If any provision of this subchapter, or the application thereof to any person or circumstances, is held invalid, the remainder of the subchapter, and the application of such provision to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this subchapter is hereby expressly reserved. (Jan. 31, 1934, c. 7, § 17, 48 Stat. 348.)

12 U. S. C., § 1020h

Citation of subchapter.—This subchapter may be cited as the “Federal Farm Mortgage Corporation Act.” (Jan. 31, 1934, c. 7, § 18, 48 Stat. 349.)

SUBCHAPTER III—FEDERAL INTERMEDIATE CREDIT BANKS

HISTORICAL NOTE

The provisions of this subchapter relative to Federal intermediate credit banks constitute Title II of the “Federal Farm Loan Act” (July 17, 1916, c. 245, 39 Stat. 360). See section 641 of this chapter. This Act was amended on March 4, 1923 (c. 252, 42 Stat. 1454), by the addition of a second title relative to Federal intermediate credit banks, the provisions of which, as amended, are included in this subchapter. The office of Intermediate Credit Commissioner was created by the act of June 16, 1933. (See section 638 at the beginning of this chapter.)

ORGANIZATION

12 U. S. C., § 1021

F. F. L. Act, § 201 (a)

Number, names, and charters of banks.—The Farm Credit Administration shall have power to grant charters for twelve institutions to be known and styled as “Federal Intermediate Credit Banks.” (July 17, 1916, c. 245, § 201 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

Financial Control of Corporations, see Chap. 14, Title 31, Money and Finance.

12 U. S. C., § 1022

F. F. L. Act, § 201 (b)

Location; directors; officers and employees.—One such institution shall be established in each farm credit district in the same city as the Federal land bank of the district. The members of the several farm credit boards of the farm credit districts provided for in section 640a of this title shall be ex officio the directors of the several Federal intermediate credit banks provided for in this subchapter and shall have power, subject to the approval of the Farm Credit Administration, to employ and fix the compensation of such officers and employees of such Federal intermediate credit banks as may be necessary to carry on the business authorized by this subchapter. (July 17, 1916, c. 245, § 201 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; June 16, 1933, c. 98, § 76 (a), 48 Stat. 271; Aug. 19, 1937, c. 704, § 10, 50 Stat. 707.)

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Federal intermediate credit bank, see § 640i of this title.

12 U. S. C., § 1023

F. F. L. Act, § 201 (c)

Corporate powers; suits by or against.—Each Federal intermediate credit bank shall have all the usual powers of corporations, and shall have power to sue and be sued both in law and equity, and for purposes of jurisdiction shall be deemed a citizen of the State where it is located. Each Federal intermediate credit bank shall have power to acquire and dispose of such property, real or personal, as may be necessary or convenient for the transaction of its business, which, however, may be leased to others for revenue purposes. (July 17, 1916, c. 245, § 201 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Aug. 19, 1937, c. 704, § 26, 50 Stat. 715.)

12 U. S. C., § 1024

F. F. L. Act, § 201 (d)

Fiscal agents for United States.—Federal intermediate credit banks, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and perform such duties as shall be prescribed by the Secretary of the Treasury. (July 17, 1916, c. 245, § 201 (d); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454.)

12 U. S. C., § 1025

F. F. L. Act, § 201 (e)

Insolvency; receivership.—Upon default of any obligation any Federal intermediate credit bank may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961–963, 964–966 of this title regarding national farm loan associations. (July 17, 1916, c. 245, § 201 (e); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

The sections referred to in the text appear as “961–963, 964–967” in the United States Code.

12 U. S. C., § 1026

F. F. L. Act, § 201 (f)

Application for charter.—The charters to such Federal intermediate credit banks shall be granted upon application of the directors of the Federal land banks, which application shall be in such form

as the Farm Credit Administration shall prescribe. (July 17, 1916, c. 245, § 201 (f) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1454; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" mentioned in the text was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

DISCOUNTS AND LOANS

12 U. S. C., § 1031

F. F. L. Act, § 202 (a)

Lending powers; purchase and sale of debentures of intermediate credit banks; loans to cooperative associations.—Federal intermediate credit banks, when chartered and established, shall have power, subject solely to such restrictions, limitations, and conditions as may be imposed by the Farm Credit Administration not inconsistent with the provisions of this subchapter—

(1) To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank, credit union, cooperative association of agricultural producers, organized under the laws of any State or of the Government of the United States, and/or any other Federal intermediate credit bank, with its indorsement, any note, draft, bill of exchange, debenture, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of livestock; and to make loans or advances direct to any such organization, secured by such obligations; and to discount for, or purchase from, any production credit association or bank for cooperatives organized under subchapters IV, V, and VI of this chapter, or any production credit association in which a Production Credit Corporation organized under such subchapter IV* holds stock, with its indorsement, any note, draft, bill of exchange, debenture, or other such obligation presented by such association or bank, and to make loans and advances direct to any such association or bank secured by such collateral as may be approved by the Governor of the Farm Credit Administration;

(2) To buy or sell, with or without recourse, debentures issued by any other Federal intermediate credit bank; and

(3) To make loans or advances direct to any cooperative association organized under the laws of any State and composed of persons engaged in producing, or producing and marketing, staple agricultural products, or livestock, if the notes or other such obligations representing such loans are secured by warehouse receipts, and/or shipping documents covering such products, and/or mortgages on livestock, and/or such other collateral as may be approved by the Governor of the Farm Credit Administration: *Provided*, That no such loan or advance, when secured only by warehouse receipts and/or shipping documents, and/or mortgages on livestock, shall exceed 75 per centum of the market value of the products covered by said warehouse receipts and/or shipping documents, or of the livestock covered by said mort-

The comparable text in the United States Code reads: " * * organized under sections 1131d, 1134 and 1134a of this title, or any production credit association in which a Production Credit Corporation organized under such sections * * *"

gages; and to accept drafts or bills of exchange issued or drawn by any such association when secured by warehouse receipts and/or shipping documents covering staple agricultural products as provided in this section, at such rates of commission as may be approved by the Governor of the Farm Credit Administration. (July 17, 1916, c. 245, § 202 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1455; Mar. 4, 1925, c. 524, § 7, 43 Stat. 1264; June 26, 1930, c. 616, § 1, 46 Stat. 816; May 19, 1932, c. 191, § 1, 47 Stat. 159; June 16, 1933, c. 98, § 76 (b), (c), 48 Stat. 271; Mar. 27, 1933, Ex. Or. 6084; June 3, 1935, c. 164, § 5 (a), (b), 49 Stat. 315.)

"Farm Credit Administration," mentioned in the text the first and third times, was substituted for "Federal Farm Loan Board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 1032

F. F. L. Act, § 202 (b)

Purchase or discount of paper from or for national banks, State banks, trust companies, savings institutions, or corporations making loans for agricultural or livestock purposes; limitations upon amount.—No paper shall be purchased from or discounted for any national bank, State bank, trust company, or savings institution under sections 1031–1033 of this title, if the amount of such paper added to the aggregate liabilities of such national bank, State bank, trust company, or savings institution, whether direct or contingent (other than bona fide deposit liabilities), exceeds the amount of such liability permitted under the laws of the jurisdiction creating the same; or exceeds twice the paid in and unimpaired capital and surplus of such national bank, State bank, trust company, or savings institution. No paper shall under sections 1031–1033 of this title be purchased from or discounted for any other corporation engaged in making loans for agricultural purposes or for the raising, breeding, fattening, or marketing of livestock, if the amount of such paper added to the aggregate liabilities of such corporation exceeds the amount of such liabilities permitted under the laws of the jurisdiction creating the same; or exceeds ten times the paid in and unimpaired capital and surplus of such corporation. It shall be unlawful for any national bank which is indebted to any Federal intermediate credit bank upon paper discounted or purchased under sections 1031–1033 of this title, to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities, direct or contingent, will exceed the limitations herein contained. (July 17, 1916, c. 245, § 202 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1455.)

12 U. S. C., § 1033

F. F. L. Act, § 202 (c)

Maturity and sale of loans, advances, or discounts.—Loans, advances, or discounts made under sections 1031–1033 of this title shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not more than three years. Any Federal intermediate credit bank may in its discretion sell loans or discounts made under said sections with or without its indorsement. (July 17, 1916, c. 245, § 202 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1455; June 26, 1930, c. 616, § 2, 46 Stat. 816.)

ISSUE OF DEBENTURES

12 U. S. C., § 1040

“Debentures” defined.—The terms “debenture” and “debentures”, when used in any Act of Congress, whenever enacted, except the Federal Farm Loan Act [July 17, 1916, c. 245, 39 Stat. 360]*, relating to the purchase, sale, or use as security, of debentures issued by or for the benefit and account of any Federal intermediate credit bank or banks, shall be deemed to mean debentures issued by any such bank individually and consolidated debentures issued by such banks acting together. (Aug. 19, 1937, c. 704, § 39, 50 Stat. 718.)

Definition of debentures as used in Federal Farm Loan Act, see section 1044 of this title.

12 U. S. C., § 1041

F. F. L. Act, § 203 (a)

Collateral trust debentures or similar obligations; security for; maturity; limitation respecting amount.—Federal intermediate credit banks shall have power, subject to the approval of the Farm Credit Administration, to borrow money and to issue and to sell collateral trust debentures or other similar obligations with a maturity at the time of issue of not more than five years, which shall be secured by at least a like face amount of cash, United States Government bonds, Federal Farm Mortgage Corporation bonds, or notes or other such obligations discounted or purchased or representing loans made under sections 1031–1033 of this title: *Provided*, That the aggregate amount of the outstanding debentures and similar obligations issued individually by any Federal intermediate credit bank, together with the amount of outstanding consolidated debentures issued for its benefit and account, shall not exceed ten times the surplus and paid-in capital of such bank. (July 17, 1916, c. 245, § 203 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084; June 3, 1935, c. 164, § 6 (a), 49 Stat. 315; Aug. 19, 1937, c. 704, § 27, 50 Stat. 715.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 1042

F. F. L. Act, § 203 (b)

Applicability of provisions of subchapter I; regulations governing collateral and handling thereof; interest rates.—The provisions of subchapter I of this chapter relating to the preparation and issue of farm loan bonds shall, so far as applicable, govern the preparation and issue of debentures or other such obligations issued under section 1041 of this title; but the Farm Credit Administration shall prescribe rules and regulations governing the receipt, custody, substitution, and release of the cash, obligations of the United States Government, and notes or other obligations securing such debentures, the right of substitution being hereby granted, and in the event such notes or other obligations are secured by warehouse receipts, shipping documents, or other similar credit instruments, may permit the substitution of trust receipts therefor in such manner and subject to such

*See Subchapter I of this chapter.

conditions as may be approved by the said Administration. Rates of interest upon debentures and other such obligations issued under said section shall, subject to the approval of the Farm Credit Administration, be fixed by the Federal intermediate credit bank making the issue, not exceeding 6 per centum per annum. (July 17, 1916, c. 245, § 203 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 28, 50 Stat. 715.)

12 U. S. C., § 1043

F. F. L. Act, § 203 (c)

Assumption of liability by Government prohibited; recital necessary to be included.—The United States Government shall assume no liability, direct or indirect, for any debentures or other obligations issued under section 1041 of this title, and all such debentures and other obligations shall contain conspicuous and appropriate language, to be prescribed in form and substance by the Farm Credit Administration and approved by the Secretary of the Treasury, clearly indicating that no such liability is assumed. (July 17, 1916, c. 245, § 203 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084.)

“Farm Credit Administration” mentioned in the text was substituted for “Federal Farm Loan Board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 1044

F. F. L. Act, § 203 (d)

Consolidated debentures; authority of intermediate credit banks to issue and sell.—Whenever it shall appear desirable to issue consolidated debentures of the twelve Federal intermediate credit banks and to sell them through a common selling agency, and the Federal intermediate credit banks shall, by resolutions, consent to the same, the banks may issue and sell said debentures subject to the provisions of sections 1041–1045 of this title, and the provisions of sections 871–886 of this title, insofar as applicable. As used in this subchapter, the term “debentures” includes such consolidated debentures. (July 17, 1916, c. 245, § 203 (d); June 3, 1935, c. 164, § 6 (b), 49 Stat. 315.)

The United States Code contains the words “this act” instead of “this subchapter.”
Definition of debentures as used in other acts of Congress, see section 1040 of this title.

12 U. S. C., § 1045

F. F. L. Act, § 203 (e)

Investment of fiduciary and trust funds in debentures of intermediate credit banks; security for public deposits.—All debentures issued by Federal intermediate credit banks shall be lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of the United States or of any officer or officers thereof. (July 17, 1916, c. 245, § 203 (e); June 3, 1935, c. 164, § 6 (b), 49 Stat. 316.)

DISCOUNT RATES

12 U. S. C., § 1051

F. F. L. Act, § 204 (a)

Establishment of and approval of; limitations on.—Any Federal intermediate credit bank may, with the approval of the Intermediate

Credit Commissioner, from time to time establish rates of discount and interest which, except with the approval of the Governor of the Farm Credit Administration, shall not exceed by more than 1 per centum per annum the rate borne by the last preceding issue of debentures which it issued or in which it participated. Any Federal intermediate credit bank may be required by the Governor of the Farm Credit Administration to acquire, upon such terms as he may approve, loans and/or discounts of any other Federal intermediate credit bank. (July 17, 1916, c. 245, § 204 (a) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 4, 1925, c. 524, § 2, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084; June 3, 1935, c. 164, § 7, 49 Stat. 316.)

12 U. S. C., § 1052

F. F. L. Act, § 204 (b)

Limitation on interest rate charged original borrower on paper discounted with bank.—No organization entitled to the privileges of this subchapter, shall, without the approval of the Farm Credit Administration, be allowed to discount with any Federal intermediate credit bank any note or other obligation, upon which the original borrower has been charged a rate of interest exceeding by more than $1\frac{1}{2}$ per centum per annum the discount rate of the Federal intermediate credit bank at the time such loan was made. (July 17, 1916, c. 245, § 204 (b) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 1053

F. F. L. Act, § 204 (c)

Purchase by bank of debentures issued by it.—Subject to the approval of the Farm Credit Administration, a Federal intermediate credit bank may buy for its own account any debentures or similar obligations issued by or for the benefit and account of such bank or other Federal intermediate credit bank or banks, and (1) hold until maturity any such debentures or similar obligations or (2) retire before maturity any such debentures or similar obligations issued by it or for its benefit and account. (July 17, 1916, c. 245, § 204 (c) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1456; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 29, 50 Stat. 715.)

CAPITAL STOCK

12 U. S. C., § 1061

F. F. L. Act, § 205

Amount, shares; subscriptions to by United States; assessments against other banks to restore capital impairment of one bank.—(a) For the purpose of exercising the powers conferred by this subchapter, each Federal intermediate credit bank shall have a subscribed capital stock of \$5,000,000, which amount may be increased from time to time with the approval of the Governor of the Farm Credit Administration. Capital stock of such amount shall be divided into shares of \$5 each and shall be subscribed, held, and paid by the Government of the United States. It shall be the duty of the Secretary of the Treasury to subscribe to such capital stock on behalf of the United States, such subscription to be subject to call in whole or in part by directors of the said banks upon thirty days' notice to the Secretary

of the Treasury and with the approval of the Farm Credit Administration. The Secretary of the Treasury is authorized and directed to take out shares as called and to pay for the same out of any money in the Treasury not otherwise appropriated.

(b) In the event that there shall be an impairment of the paid-in capital of any Federal intermediate credit bank, the Farm Credit Administration, at such time or times as it deems advisable, may determine and assess the amount thereof against the other Federal intermediate credit banks on such equitable basis of apportionment as it shall prescribe. Each bank against which such an assessment is made shall, out of its surplus and/or to an extent up to 50 per centum of its net earnings, in accordance with the terms of such assessment, pay the amount thereof as soon as possible to the bank having the impairment. In such event payments into the surplus fund and payments of the franchise tax prescribed by this chapter shall be determined on the basis of the net earnings remaining after providing for the payment of any such assessment.

(c) With the approval of the Secretary of the Treasury, the Governor of the Farm Credit Administration is authorized to subscribe from time to time to the capital stock and/or paid-in surplus of any Federal intermediate credit bank on behalf of the United States, in such amounts as he may determine are necessary for the purpose of meeting the credit needs of eligible borrowers from the bank, and the amount of the capital stock and paid-in surplus of such bank may be increased or decreased from time to time by the Governor, in accordance with such needs. Such stock shall be divided into shares of \$100 each and subscriptions to such paid-in surplus shall be made in multiples of \$100 out of the revolving fund created under subsection (e) of section 1131i of this title. The Governor on behalf of the United States shall make payment for stock and paid-in surplus of such bank and such payment shall be subject to call in whole or in part by the board of directors of the bank, with the approval of the Governor. (July 17, 1916, c. 245, § 205; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; May 19, 1932, c. 191, § 2, 47 Stat. 159; Mar. 27, 1933, Ex. Or. 6084; Jan. 31, 1934, c. 7, § 15 (b), (c), 48 Stat. 348.)

12 U. S. C., § 1062

F. F. L. Act, § 206 (a)

Salaries and expenses of Federal Farm Loan Bureau; assessment against banks for proportionate share.—The Farm Credit Administration shall equitably apportion the joint salaries and expenses incurred in behalf of Federal land banks, joint stock land banks, and Federal intermediate credit banks, and shall assess against each Federal intermediate credit bank its proportionate share of the salaries and expenses of the Federal Farm Loan Bureau made necessary in connection with the operation of this provision. (July 17, 1916, c. 245, § 206 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; Mar. 4, 1925, c. 524, § 1, 43 Stat. 1262; Mar. 27, 1933, Ex. Or. 6084.)

For salaries and expenses to be included in assessments, see § 832 of this title. See also § 1094, below, for assessment of examination costs.

APPLICATION OF EARNINGS

12 U. S. C., § 1072

F. F. L. Act, § 206 (b)

Net earnings; surplus fund; franchise tax; disposition by United States of sums received from net earnings of banks and from surplus remaining after liquidation of banks.—Subject only to review and approval by the Farm Credit Administration, each Federal intermediate credit bank, at the end of its fiscal year, after all its necessary expenses and costs of operation for such fiscal year have been paid or provided for, shall apply its net earnings then remaining, first, to making up any losses in excess of its reserves against unforeseen losses and assets of doubtful value; second, to the elimination of any impairment of its paid-in capital and paid-in surplus; third, to the creation and maintenance of reserves against unforeseen losses and assets of doubtful value in such amount as its board of directors may prescribe; fourth, to the payment of 25 per centum of the amount then remaining to the United States as a franchise tax; and, fifth, to the payment of the remaining net earnings into its surplus account. The amounts paid as franchise taxes to the United States by Federal intermediate credit banks shall, in the discretion of the Secretary of the Treasury, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal intermediate credit bank be dissolved or go into liquidation, after the payment of all debts and other obligations as hereinbefore provided, any surplus remaining shall be paid to and become the property of the United States and shall be similarly applied. (July 17, 1916, c. 245, § 206 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1457; May 19, 1932, c. 191, § 3, 47 Stat. 159; Aug. 19, 1937, c. 704, § 30, 50 Stat. 715.)

LIABILITY ON DEBENTURES OR OTHER SUCH OBLIGATIONS

12 U. S. C., § 1081

F. F. L. Act, § 207

Liability of one bank for debentures issued by other banks; agreements by banks for transfer of funds for debenture payments.—Any Federal intermediate credit bank issuing debentures or other such obligations under this subchapter shall be primarily liable therefor, and shall also be liable, upon presentation of the coupons for interest payments due upon any such debentures or obligations issued by any other Federal intermediate credit bank and remaining unpaid in consequence of the default of the other Federal intermediate credit bank. Any Federal intermediate credit bank shall likewise be liable for such portion of the principal of debentures or obligations so issued as are not paid after the assets of such other Federal intermediate credit bank have been liquidated and distributed. Such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent Federal intermediate credit banks liable therefor in proportion to the amount of capital stock, surplus, and debentures or other such obligations which each may have out-

standing at the time of such assessment. Every Federal intermediate credit bank shall, by appropriate action of its board of directors duly recorded in its minutes, obligate itself to become liable on debentures and other such obligations as provided in this section: *Provided*, That in view of the liability of all Federal intermediate credit banks for the debentures and other such obligations of each bank under this chapter, the banks shall, in accordance with rules, regulations, and orders of the Farm Credit Administration, enter into adequate agreements and arrangements among themselves by which funds shall be transferred and/or made available from time to time for the payment of all such debentures and other such obligations and the interest thereon when due in accordance with the terms thereof. (July 17, 1916, c. 245, § 207; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; May 19, 1932, c. 191, § 4, 47 Stat. 159; Mar. 27, 1933, Ex. Or. 6084.)

EXAMINATIONS AND REPORTS

12 U. S. C., § 1091

F. F. L. Act, § 208 (a)

Reports of condition of banks and other lending institutions re-discounting with credit banks; examinations and audits of credit banks.—In order to enable each Federal intermediate credit bank to carry out the purpose of this subchapter, the Comptroller of the Currency is hereby authorized and directed, upon the request of any Federal intermediate credit bank, (1) to furnish for the confidential use of such bank such reports, records, and other information, as he may have available, relating to the financial condition of national banks through or for which the Federal intermediate credit bank has made or contemplates making discounts, and (2) to make through his examiners, for the confidential use of the Federal intermediate credit bank, examinations of organizations through or for which the Federal intermediate credit bank has made or contemplates making discounts or loans: *Provided*, That no such examination shall be made without the consent of such organization except where such examination is required by law: *Provided*, That any organization, except State banks, trust companies, and savings associations, shall, as a condition precedent to securing rediscount privileges with the Federal intermediate credit bank of its district, file with such bank its written consent to its examination as may be directed by the Farm Credit Administration by farm credit examiners; and State banks, trust companies, and savings associations may be in like manner required to file their written consent that reports of their examination by constituted authorities may be furnished by such authorities upon request to the Federal intermediate credit bank of their district. Each Federal intermediate credit bank shall be examined and audited at least once each year by the Farm Credit Administration, and the results of such examination and audit shall be made public by the administration. (July 17, 1916, c. 245, § 208 (a); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.)

12 U. S. C., § 1092

F. F. L. Act, § 208 (b)

Submission and publication of reports of condition by banks.—Every Federal intermediate credit bank shall make to the Farm Credit Administration not less than three reports during each year as requested by the administration and according to the form which may be prescribed by the administration, verified by the oath or affirmation of the president, or secretary, or treasurer, of each Federal intermediate credit bank and attested by the signature of at least three of the directors. Each report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the Federal intermediate credit bank at the close of business on any past day specified by the Farm Credit Administration within five days from the receipt of a request or requisition therefor from the administration, and in the same form in which it is made to the Farm Credit Administration shall be published in a newspaper published in the place where such Federal intermediate credit bank is established, or if there is no newspaper in the place, then in the one published nearest thereto, in the same county, at the expense of the bank; and such proof of publication shall be furnished as may be required by the Farm Credit Administration. The Farm Credit Administration shall also have power to call for special reports from any particular Federal intermediate credit bank whenever in its judgment the same are necessary for a full and complete knowledge of its condition. (July 17, 1916, c. 245, § 208 (b); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 1093

F. F. L. Act, § 208 (c)

Investigations and reports by land bank appraisers and examiners for credit banks.—Land bank appraisers are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to investigate and make a written report upon the products covered by warehouse receipts or shipping documents, and the livestock covered by mortgages, which are security for notes or other such obligations representing any loan to any organization, under this subchapter. Farm credit examiners are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to examine and make a written report upon the condition of any organization, except national banks, to which the Federal intermediate credit bank contemplates making any such loan. (July 17, 1916, c. 245, § 208 (c); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 20, 50 Stat. 710.)

12 U. S. C., § 1094

F. F. L. Act, § 208 (d)

Cost of examinations; assessments against organizations investigated.—The Farm Credit Administration shall assess the cost of all examinations made by the examiners of the administration under the provisions of this subchapter upon the bank, trust company, savings institution, or organization investigated, in accordance with the regulations to be prescribed by the administration. (July 17, 1916, c. 245, § 208 (d); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1458; Mar. 27, 1933, Ex. Or. 6084.)

12 U. S. C., § 1095

F. F. L. Act, § 208 (e)

Reports on condition of institutions receiving loans or deposits.—The executive departments, boards, commissions, and independent establishments of the Government, the Reconstruction Finance Corporation, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Reserve banks are severally authorized under such conditions as they may prescribe, upon the request of the Farm Credit Administration to make available to the Farm Credit Administration or any district bank or district corporation operating under its supervision, in confidence, all reports, records or other information they may have relating to the condition of any institution to which the Administration, such district bank, or corporation has made or contemplates making loans or for which it has discounted or contemplates discounting paper, or which it is using or contemplates using as a custodian of securities or other credit instruments, or as a depository. (July 17, 1916, c. 245, § 208 (e); June 3, 1935, c. 164, § 8, 49 Stat. 316; Aug. 23, 1935, c. 614, § 203 (a), 49 Stat. 704; Aug. 19, 1937, c. 704, § 31, 50 Stat. 716.)

§ 203 (a) of the Act of Aug. 23, 1935, cited to the text, changed the name of the Federal Reserve Board to "Board of Governors of the Federal Reserve System."

RULES AND REGULATIONS

12 U. S. C., § 1101

F. F. L. Act, § 209

Authority of Farm Credit Administration.—The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary for the efficient execution of the provisions of this subchapter. (July 17, 1916, c. 245, § 209; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084.)

TAX EXEMPTION

12 U. S. C., § 1111

F. F. L. Act, § 210

Capital and income; debentures instrumentalities of Government.—The privileges of tax exemption accorded under section 931 of this title shall apply also to each Federal intermediate credit bank, including its capital, reserve, or surplus, and the income derived therefrom, and the debentures issued under this subchapter shall be deemed and held to be instrumentalities of the Government and shall enjoy the same tax exemptions as are accorded farm loan bonds in said section. (July 17, 1916, c. 245, § 210; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459.)

United States obligations and evidences of ownership issued after March 27, 1942, as subject to Federal Taxation. See Sec. 742a of Title 31, Money and Finance.

12 U. S. C., § 1129

F. F. L. Act, § 212

Charging of unauthorized fees or commissions by banks.—No Federal intermediate credit bank shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized. (July 17, 1916, c. 245, § 212; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1461.)

SUBCHAPTER IV.—PRODUCTION CREDIT CORPORATIONS AND PRODUCTION CREDIT ASSOCIATIONS*

PRODUCTION CREDIT CORPORATIONS

12 U. S. C., § 1131

Establishment; number; location.—The Governor of the Farm Credit Administration, hereinafter in this subchapter and subchapter VI referred to as the “governor”, is authorized and directed to organize and charter twelve corporations to be known as “Production Credit Corporations.” One such corporation shall be established in each farm credit district in the city in which there is located a Federal land bank. The members of the several farm credit boards of the farm credit districts provided for in section 640a of this title shall be ex officio the directors of the respective Production Credit Corporations. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such corporations as may be necessary to carry out the powers and duties conferred upon such corporations under this subchapter and subchapter VI of this chapter. (June 16, 1933, c. 98, § 2, 48 Stat. 257; Aug. 19, 1937, c. 704, § 11, 50 Stat. 708.)

*See also subchapter VI.

Financial control of corporations, see Chap. 14, Title 31, Money and Finance.

Organization of Banks for Cooperatives, see § 1134.

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Production Credit Corporation, see § 640i of this title.

12 U. S. C., § 1131a

Charters and bylaws.—The charters of the Production Credit Corporations shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the corporations. (June 16, 1933, c. 98, § 3, 48 Stat. 257.)

Charters of Banks for Cooperatives, see § 1134a.

12 U. S. C., § 1131b

Capital stock; amount; value of shares; amount and subscription for initial stock; payments for stock subscribed on behalf of United States.—The capital stock of each Production Credit Corporation shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of the district to be served by such corporation, and such amount may be increased or decreased from time to time by the governor in accordance with such credit needs. Such capital stock shall be divided into shares of \$100 each. The initial capital stock of each such corporation shall be \$7,500,000, which shall be subscribed for by the governor and held by him on behalf of the United States. Payments on subscriptions to stock by the governor shall be subject to call in whole or in part by the board of directors of the corporation with the approval of the

*See also subchapter VI.

governor. The governor shall make such payments out of the revolving fund created in section 1131i of this title. The stock ownership of the United States in such corporation shall be evidenced by such means as the governor shall determine. (June 16, 1933, c. 98, § 4, 48 Stat. 257.)

12 U. S. C., § 1131c

Purchase of stock in production credit associations; class of stock to be purchased and held; amount of stock; retirement of stock held by corporations; application of earnings on stock held by corporations—(a) **Stock in associations organized under this subchapter.**—Each Production Credit Corporation shall have power to invest its funds in stock of production credit associations as provided in this section. Such corporation is authorized to subscribe and pay for class A stock in each Production Credit Association located in the district served by such corporation in amounts sufficient to maintain the amount of class A stock held by it and other holders of class A stock equal, as nearly as may be, to 20 per centum of the volume of loans made or to be made by such association, as estimated by the corporation, but at no time shall the amount of class A stock outstanding be less than \$5,000 except with the consent of the association. Notwithstanding the provisions of the preceding sentence, (1) the governor, under rules and regulations prescribed by him, may permit a Production Credit Corporation to maintain the class A holdings of stock by the corporation and other investors at such amount, in excess of 20 per centum of such loans, as may be necessary, and (2) the corporation may at any time require the association to retire and cancel stock held by the corporation in such association, if, in the judgment of the corporation, the association has resources available therefor. (June 16, 1933, c. 98, § 6 (a), 48 Stat. 259.)

(b) Stock in associations not organized under this subchapter; restrictions and limitations.—Under such rules and regulations as may be prescribed by the governor and subject to such restrictions and limitations as he may prescribe, each Production Credit Corporation is authorized to subscribe and pay for stock in production credit associations not organized under this subchapter if such associations are controlled by cooperative associations as defined in section 1141j (a) of this title. Only stock which is preferred as to assets on liquidation and is entitled to participate in dividend distributions without discrimination may be subscribed for. The amount of the stock subscribed for by any Production Credit Corporation in any such association shall not at any one time exceed 75 per centum of the total paid-in capital of such association. (June 16, 1933, c. 98, § 6 (b), 48 Stat. 259.)

(c) Earnings on stock in associations; application of; establishment and investment of surplus.—The amount of the excess of earnings on stock held by the corporation above amounts necessary to pay operating expenses and restore losses and impairment of capital, if any, of the corporation shall be devoted to the creation and maintenance of a surplus equal to at least 25 per centum of the paid-in capital of the corporation. The amount of the surplus shall be invested as

the governor shall prescribe in direct obligations of the United States or in class A stock of production credit associations, or both. (June 16, 1933, c. 98, § 6 (c), 48 Stat. 259.)

(d) Application of excess earnings on stock in associations; retirement of stock in corporations held by Government.—The amount of such excess of earnings not required in order to comply with the provisions of subsection (c) shall be paid into the revolving fund authorized in section 1131i of this title. Stock held by the governor in the Production Credit Corporation shall be retired upon such payment in an amount equal to the amount of such payment. (June 16, 1933, c. 98, § 6 (d), 48 Stat. 259.)

PRODUCTION CREDIT ASSOCIATIONS

12 U. S. C., § 1131d

Organization; articles of association; charters; bylaws; powers of governor respecting associations.—The governor is authorized and directed to organize and charter corporations to be known as "Production Credit Associations." Such associations may be organized by ten or more farmers desiring to borrow money under the provisions of sections 1131d–1131g and 1131h of this title. Such individuals shall enter into articles of incorporation which shall specify in general terms the objects for which the association is formed and the powers to be exercised by it in carrying out the functions conferred upon it by this subchapter. Such articles shall be signed by the individuals uniting to form the association and a copy thereof shall be forwarded to the Production Credit Corporation of the district, and such copy shall be filed and preserved in its office. The governor may, for good cause shown, deny a charter to such individuals. Upon the approval of such articles by the governor, the association shall become as of the date of such approval a body corporate. The governor shall have power, under rules and regulations prescribed by him, or by prescribing the terms of the charter of the association, or both, to provide for the organization, management, and conduct of the business of the association; and the power of the governor shall extend to prescribing the amount of the stock of such association; fixing the territory within which its operations may be carried on; fixing the method of election and appointment of, and the amount and payment of the compensation of, directors, officers, and employees; fixing the maximum amount of individual loans which may be made; prescribing the conditions under which the stock may be retired; and providing for the consolidation of two or more such associations. The governor may, at any time, direct such changes in the charter of any such association as he finds necessary in accomplishing the purposes of sections 1131d–1131g and 1131h of this title. Bylaws of any such association may be adopted by the directors but shall not be valid unless approved by the governor. (June 16, 1933, c. 98, § 20, 48 Stat. 259.)

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of production credit association, see § 640i of this title.

12 U. S. C., § 1131e

Capital stock; value of shares; classes of stock; voting rights; limitation on transfer of class B stock; exchange of class B stock upon holder ceasing to be borrower; dividends; ownership of stock as entitling credit corporation to approve or remove officers of association.—The stock of such associations shall be divided into shares of \$5 each; and there shall be two classes of such stock: (1) Class A stock which is to be held by Production Credit Corporations, and which may be purchased and held by investors, and (2) class B stock which may be purchased only by farmer borrowers from the association and individuals eligible to become borrowers. Class B stock only shall be entitled to voting rights but each holder of such stock shall be entitled to no more than one vote. No class B stock, or any interest therein or right to receive dividends thereon, shall be transferred by act of parties or operation of law except to another farmer borrower or an individual eligible to become a borrower, and then only with the approval of the directors of the association. Each holder of class B stock, within two years after he has ceased to be a borrower, shall exchange such class B stock at the fair book value (not to exceed par) thereof, as determined by the association, for class A stock. All stock shall share in dividend distributions without preference, but the directors of the association may, in their discretion, apply the amount of any dividend payable to a holder of class B stock to any indebtedness of such holder to the association. Class A stock shall be preferred as to assets of the association upon liquidation. During such time as any Production Credit Corporation is a holder of any stock of any such association, the appointment or election of directors, the secretary-treasurer, and the loan committee of such association shall be subject to the approval of the president of the Production Credit Corporation and during such time any such director, secretary-treasurer, or other officer may, at any time, be removed by the president of the Production Credit Corporation. (June 16, 1933, c. 98, § 21, 48 Stat. 260.)

12 U. S. C., § 1131f

Application of earnings; losses in excess of reserve account; restoration of capital impairment; reserve account; guaranty fund; dividends.—Each Production Credit Association shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses in excess of its reserve for bad and doubtful debts; second, to the restoration of the amount of the impairment, if any, of capital; third, to the creation and maintenance of a reserve account for bad and doubtful debts, the amount of which account shall be prescribed by the Production Credit Corporation; and fourth, to the creation and maintenance of a guaranty fund equal to at least 25 per centum of the paid-in capital of the association. Any sums remaining may, with the approval of the Production Credit Corporation, be devoted to the payment of dividends but no rate of dividend in excess of 7 per centum per annum shall be paid. Sums in the guaranty fund

herein provided for shall be invested subject to such rules and regulations as may be prescribed by the Production Credit Corporation. (June 16, 1933, c. 98, § 22, 48 Stat. 261.)

12 U. S. C., § 1131g

Loans to farmers; terms and conditions.—Each Production Credit Association shall, under such rules and regulations as may be prescribed by the Production Credit Corporation of the district with the approval of the governor, invest its funds and make loans to farmers for general agricultural purposes, but such part of its funds as is represented by the guaranty fund provided for in section 1131f of this title shall not be devoted to making loans to farmers. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the Production Credit Corporation. No loan shall be made for a less amount than \$50, nor shall any one borrower be indebted to the association at any one time in an amount in excess of 20 per centum of the capital and guaranty fund of the association or, if the loan is secured by collateral approved by the Corporation, in an amount in excess of 50 per centum of the capital and guaranty fund, but loans may be made to any borrower in an amount in excess of 50 per centum of the capital and guaranty fund if the loan is approved by the Production Credit Commissioner of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 1131e of this title. (June 16, 1933, c. 98, § 23, 48 Stat. 261.)

Loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this title.

12 U. S. C., § 1131g-1

Same; for home alterations, repairs, and improvements; sale of loans; insurance of loans.—With the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Production Credit Commissioner, production credit associations organized under the provisions of this subchapter are authorized and empowered (without regard to the provisions of this subchapter relating to the requirement for the ownership of Class B stock or any other limitations therein contained) (1) to make loans to farmers for the purpose of enabling them to make home alterations, repairs, and improvements, (2) to sell, discount, assign, or otherwise dispose of any loans made by them under the provisions of this section, under such restrictions and limitations as to endorsement and liability as may be approved by the Governor of the Farm Credit Administration, (3) to avail themselves of the benefits of insurance under the provisions of section 1703 of this title, and (4) to do all such things as may be reasonably necessary to carry out the provisions of this section. (June 16, 1933, c. 98, § 86 (a); June 27, 1934, c. 847, § 504, 48 Stat. 1263.)

This section was formerly designated section 1131gg of this title.

12 U. S. C., § 1131g-2

Loans to oyster planters; purchase and discounting paper by Federal intermediate credit banks.—Subject to the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Production Credit Commissioner, production credit associations organized under this subchapter are authorized to make loans to oyster planters; to sell, discount, assign, or otherwise dispose of any loans made by them under the provisions of this section; and to do any and all other things necessary to carry these provisions into effect. With the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Intermediate Credit Commissioner, the Federal Intermediate Credit Banks are authorized and empowered to discount for or purchase from any production credit association any note, draft, or other such obligation representing a loan or loans made under the provisions of this section; and to make loans or advances direct to any such organization secured by such obligations. (June 18, 1934, c. 574, 48 Stat. 983; June 3, 1935, c. 164, § 17 (c), 49 Stat. 318.)

This section was formerly designated section 1131j of this title.

12 U. S. C., § 1131h

Borrowing from and rediscounting paper with Federal intermediate credit banks; limitation on power to borrow from or rediscount paper with other institutions.—Production Credit Associations doing business under this subchapter and subchapters V and VI of this chapter are authorized to borrow from, and rediscount paper with, Federal Intermediate Credit Banks subject to the restrictions, limitations, and conditions applicable under subchapter III of this chapter. Except with the approval of the Governor, Production Credit Associations shall not have the power to borrow from or rediscount paper with any other bank or agency. (June 16, 1933, c. 98, § 24, 48 Stat. 261.)

REVOLVING FUND

12 U. S. C., § 1131i

Revolving fund.—(a) There is created a revolving fund of not to exceed \$120,000,000 which shall be made up as follows:

(1) The Reconstruction Finance Corporation is authorized and directed to make available to the Governor of the Farm Credit Administration all unobligated balances of the following funds and all sums heretofore returned or released to the corporation from such funds:

(A) Any balances of funds for, and all collections on loans by, the Secretary of Agriculture pursuant to section 602 of Title 15;

(B) All collections on loans made or to be made pursuant to the Act of February 4, 1933 (c. 35, 47 Stat. 795);

(C) All balances of funds authorized and directed to be made available to the Secretary of Agriculture by such act and not used for loans pursuant thereto; and

(D) Any balances of the funds originally directed to be allocated and made available to the Secretary of Agriculture by such acts except as expended pursuant to section 1148 of this title.

(2) There are made available to the Governor of the Farm Credit Administration all unobligated balances of appropriations and funds available thereunder to enable the Secretary of Agriculture to make advances or loans under the following Acts and resolutions, and all repayments of such advances and loans: March 3, 1921 (41 Stat. 1347), March 20, 1922 (42 Stat. 467), April 26, 1924 (43 Stat. 110), February 28, 1927 (44 Stat. 1251), February 25, 1929 (45 Stat. 1306), as amended May 17, 1929 (46 Stat. 3), March 3, 1930 (46 Stat. 78, 79), December 20, 1930 (46 Stat. 1032), as amended February 14, 1931 (46 Stat. 1160), and February 23, 1931 (46 Stat. 1276), and Public Resolution Numbered 11, Seventy-second Congress, approved March 3, 1932, and the notes or other obligations evidencing such advances and loans and the security therefor are transferred to the Governor of the Farm Credit Administration.

(3) There is authorized to be appropriated the sum of \$40,000,000 out of any money in the Treasury not otherwise appropriated.

(b) There is authorized to be appropriated the sum of \$2,000,000, which shall remain available until expended, for all necessary administrative expenses in connection with the establishment and supervision of the Production Credit Corporations and the Production Credit Associations.

(c) The authority of the Governor of the Farm Credit Administration to allocate and expend out of the funds covered by subsection (a) of this section such amounts as he shall deem necessary for salaries, expenses, and all other administrative expenditures in the execution of the functions for which such funds have hitherto been available shall not be deemed to be restricted by this section.

(d) The authority to make loans during the calendar year 1933 pursuant to the Act of February 4, 1933 (Public Law No. 327, Seventy-second Congress), as amended, out of funds made available by that Act shall not be deemed to be restricted by this section.

(e) The amount of all balances, collections, and appropriations allocated under subsection (a) of this section to the revolving fund created thereunder, which is in excess of \$120,000,000, is made available to the Governor of the Farm Credit Administration for the establishment of a revolving fund of not to exceed \$40,000,000. Out of such revolving fund, the Governor is authorized to allocate and, with the approval of the Secretary of the Treasury, to expend such amounts as he deems necessary for subscriptions to the capital stock and/or paid-in surplus of Federal Intermediate Credit Banks. (June 16, 1933, c. 98, § 5, 48 Stat. 258; Jan. 31, 1934, c. 7, §§ 14, 15 (a), 48 Stat. 348.)

In the United States Code the text of subsection (d) is omitted, with an explanatory note.

SUBCHAPTER V.—REGIONAL BANKS FOR COOPERATIVES AND CENTRAL BANK FOR COOPERATIVES*

REGIONAL BANKS

12 U. S. C., § 1134

Establishment; number; location.—The Governor of the Farm Credit Administration, hereinafter in this subchapter and in subchapter VI of this chapter referred to as the “governor”, is authorized and directed to organize and charter twelve banks to be known as “Banks for Cooperatives.” One such bank shall be established in each farm credit district in the city in which there is located a Federal land bank. The members of the several farm credit boards of the farm credit districts provided for in section 640a of this title shall be ex officio the directors of the respective banks for cooperatives. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such banks as may be necessary to carry out the powers and duties conferred upon such banks under this subchapter and subchapter VI. (June 16, 1933, c. 98, § 2, 48 Stat. 257; Aug. 19, 1937, c. 704, § 11, 50 Stat. 708.)

Financial control of corporations, see Chap. 14, Title 31, Money and Finance.

Organization of Production Credit Corporations, see § 1131.

Financial control of corporations, see Chap. 14, Title 31, Money and Finance.
administrative or executive official of Bank for Cooperatives, see § 640i of this title.

12 U. S. C., § 1134a

Charters and bylaws.—The charters of the Banks for Cooperatives shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the banks. (June 16, 1933, c. 98, § 3, 48 Stat. 257.)

Charters of Production Credit Corporations, see § 1131a.

12 U. S. C., § 1134b

Capital stock; amount; value of shares; payments from revolving fund for stock purchased by Government.—The capital stock of each Bank for Cooperatives established under section 1134 of this title shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this subchapter, and such amount may be increased or decreased from time to time by the governor in accordance with such needs. Such stock shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this title, the governor, on behalf of the United States, shall make payments for stock in the banks and such payments shall be subject to call in whole or in part by the board of directors of the bank with the approval of the governor. (June 16, 1933, c. 98, § 40, 48 Stat. 264.)

*See also subchapter VI.

12 U. S. C., § 1134c

Lending power.—Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the banks for cooperatives are authorized (a) to make loans to cooperative associations as defined in subchapter VII of this chapter, for any of the purposes and subject to the conditions and limitations set forth in such subchapter; (b) to make loans (by way of discount or otherwise) to any bank organized under this subchapter; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks. (June 16, 1933, c. 98, § 41, 48 Stat. 264; June 3, 1935, c. 164, § 14, 49 Stat. 317; Aug. 19, 1937, c. 704, § 36, 50 Stat. 717.)

Lending power of Central Bank, see § 1134j.

Loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this title.

12 U. S. C., § 1134d

Ownership of stock in banks by borrowing associations; earnings and reserves of banks.—The provisions of sections 1134k and 1134l of this title shall apply in the case of Banks for Cooperatives in the same manner and to the same extent as such provisions are applicable to the Central Bank for Cooperatives, except that powers conferred on the chairman of the board of the Central Bank shall be exercised by the boards of directors of the Banks for Cooperatives, subject to the approval of the governor. (June 16, 1933, c. 98, § 42, 48 Stat. 264.)

12 U. S. C., § 1134e

Retirement of stock held by Government.—The governor may at any time require any such bank to retire and cancel stock held by the governor in such bank, if, in the judgment of the governor, the bank has resources available therefor, and amounts received by the governor in any such case shall be credited to the revolving fund created under section 1141d of this title. (June 16, 1933, c. 98, § 43, 48 Stat. 265.)

CENTRAL BANK

12 U. S. C., § 1134f

Establishment; location.—The governor is authorized and directed to organize and charter a corporation to be known as the “Central Bank for Cooperatives” with its principal office in the District of Columbia and such other offices as in the opinion of the governor may be necessary. (June 16, 1933, c. 98, § 30, 48 Stat. 261.)

Financial control of corporations, see Chap. 14, Title 31, Money and Finance.

12 U. S. C., § 1134g

Board of directors.—(a) The board of directors of the Central Bank for Cooperatives shall consist of seven members, one of whom shall be the Cooperative Bank Commissioner of the Farm Credit Administration, who shall be chairman of the board of directors. The

other six directors shall be appointed by the governor, of whom the successors of three first appointed shall be appointed from nominees selected by borrowers as provided in subsection (b) of this section. The terms of the directors first appointed shall be for one, two, and three years as designated by the governor at the time of appointment and their successors shall hold their offices during a term of three years, but a director appointed to fill a vacancy shall hold his office for the unexpired term of the director whose place he is selected to fill. Any appointed director may at any time be removed for cause by the governor. No compensation shall be paid any director as a director of the corporation but the corporation, subject to the approval of the governor, may allow directors a reasonable per diem and expenses.

(b) The successors of three of the directors first appointed shall be selected one each year by the governor from among individuals nominated by borrowers (except Banks for Cooperatives). The governor shall, not less than sixty days prior to the end of the term of any director whose successor is to be appointed from among nominees as herein provided, or as soon as practicable after a vacancy occurs in the office of such director other than by the expiration of his term, cause notice of the vacancy to be sent to each borrower eligible to vote for nominees. Each such borrower shall be eligible to cast one vote. The governor shall not count any ballot received after the expiration of thirty days after the sending of notice. From those (not exceeding three) receiving the highest number of votes, as shown by his count, the governor shall appoint the director. (June 16, 1933, c. 98, § 31, 48 Stat. 262.)

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Central Bank for Cooperatives, see § 640i of this title.

12 U. S. C., § 1134h

Powers of board of directors; chairman of board.—The chairman of the board of the corporation shall be the executive officer of the corporation and the powers of the board of directors shall be such powers as may be prescribed in the charter and bylaws. (June 16, 1933, c. 98, § 32, 48 Stat. 262.)

Person convicted of felony or adjudged liable in damages for fraud ineligible to be administrative or executive official of Central Bank for Cooperatives, see § 640i of this title.

12 U. S. C., § 1134i

Capital stock.—The capital stock of the central bank shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this subchapter, and the governor may from time to time increase or decrease such amount, subject to the limitations contained in sections 1134k and 1134m of this title in accordance with such needs. The stock of such bank shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this title, the governor, on behalf of the United States, shall subscribe for and make payments for stock in the Central Bank and such payments shall be subject to call in whole or in part by the chairman of the Board of the Central Bank with the approval of the governor. (June 16, 1933, c. 98, § 33, 48 Stat. 262.)

12 U. S. C., § 1134j

Lending power; prevention of duplication of effort on the part of central bank and banks for cooperatives.—Subject to such terms and conditions as may be prescribed by the chairman of its board of directors, the Central Bank is authorized: (a) to make loans to cooperative associations as defined in Subchapter VII of this chapter, for any of the purposes and subject to the conditions and limitations set forth in such subchapter, as amended; (b) to make loans (by way of discount or otherwise) to banks for cooperatives organized under section 1134 of this title; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks.

The governor shall, by regulation or by prescribing the terms of the charters issued to the Central Bank for Cooperatives and the Banks for Cooperatives, or both, provide such limitations, as between the two type of banks, on the classes of borrowers to which loans may be made and the amount of the loans which may be made to individual borrowers, as will best insure the absence of duplication of effort by the two types of banks and will secure the greatest efficiency in extending the benefits of this subchapter to borrowers. (June 16, 1933, c. 98, §§ 34, 38, 48 Stat. 262, 264; June 3, 1935, c. 164, § 13, 49 Stat. 317; Aug. 19, 1937, c. 704, § 35, 50 Stat. 717.)

Instead of the words "this subchapter" in the last sentence, the United States Code uses "sections 1134b, 1134m and 1141d of this title."

Loans on lands in drainage, irrigation, or conservancy districts, see § 773a of this title.

12 U. S. C., § 1134k

Ownership of stock by associations borrowing from bank; payment into bank's guaranty fund by associations not authorized to purchase stock.—(a) Cooperative associations borrowing from the Central Bank shall be required to own, at the time the loan is made, an amount of stock of the bank equal in fair book value (not to exceed par), as determined by the bank, to \$100 per \$2,000 or fraction thereof of the amount of the loan, except that, in connection with any loan made on the security of commodities, the borrower shall be required to own, at the time the loan is made, only such amount of stock as may be prescribed by rules and regulations of the governor. Upon discharge of the loan, stock held by the borrowing association may be, and upon the concurrent or subsequent request of the borrowing association shall be, retired and canceled, and the association shall be paid therefor an amount equal to the amount paid for such stock or loaned to subscribe therefore, as the case may be, minus the pro rata impairment, if any, of capital and guaranty fund of the Central Bank, as determined by the Chairman of the Board of the Central Bank.

(b) In any case in which a cooperative association applying for a loan is not authorized, under the law of the State in which it is organized, to subscribe for stock in the Central Bank, the bank shall, in lieu of stock subscription, require the borrowing association to pay into a guaranty fund, or the bank may retain out of the amount of the loan and credit to the guaranty fund, an amount equal to the amount which the borrowing association would have been required to own in

stock if such association had been authorized to hold such stock. Upon discharge of its loan, the provisions of the last sentence of subsection (a) shall apply with respect to sums of such association in the guaranty fund in the same manner as if such sums were represented by stock.

(c) In any case where the debt of a borrower to the Central Bank is in default, the bank may, in accordance with rules and regulations prescribed by the governor, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof (not exceeding par), in total or partial liquidation of the debt, as the case may be (June 16, 1933, c. 98, § 35, 48 Stat. 263; June 3, 1935, c. 164, § 15, 49 Stat. 318.)

12 U. S. C., § 1134l

Earnings and reserves; guaranty fund; surplus; dividends to stockholders and subscribers to guaranty fund; application of dividends on Government-owned stock.—The Central Bank for Cooperatives shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses incurred; second, to the restoration of the amount of the impairment, if any, of capital and guaranty fund as determined by the chairman of the board; and at least 25 per centum of the remainder of such excess of earnings shall be applied to the creation and maintenance of a surplus equal to at least 25 per centum of the amount of the capital and guaranty fund. Any sums remaining may, with the approval of the chairman of the board, be devoted to the payment of dividends. Subscribers to the guaranty fund shall be entitled to dividends in the same amounts as subscribers to stock. No rate of dividend in excess of 7 per centum per annum shall be paid. Dividends on stock held by the governor, when paid, shall be credited to the revolving fund created under section 1141d of this title. (June 16, 1933, c. 98, § 36, 48 Stat. 263.)

12 U. S. C., § 1134m

Debentures; amount; security; preparation and issue; custody of collateral.—The Central Bank is authorized to issue debentures, but the amount of debentures which may be outstanding may not exceed at any one time five times the paid-in capital and surplus of the bank. Such debentures shall be issued at such times and subject to such terms and conditions as the board of directors shall determine but shall bear such interest rates as may be fixed by the chairman of the board. Such debentures shall be secured by collateral which shall be at least equal in value to the amount of debentures outstanding and which shall consist of cash, direct obligations of the United States, or notes or other obligations discounted or purchased or representing loans made under section 1134j of this title. The provisions of law applicable to the preparation and issue of Federal intermediate credit bank debentures shall, so far as applicable, govern the preparation and issue of debentures issued under this section. The governor shall appoint a custodian of such collateral who shall have power subject to such rules and regulations as the governor may prescribe to approve and accept substitutions of collateral. (June 16, 1933, c. 98, § 37, 48 Stat. 263.)

SUBCHAPTER VI.—PROVISIONS COMMON TO PRODUCTION CREDIT CORPORATIONS, PRODUCTION CREDIT ASSOCIATIONS, REGIONAL AND CENTRAL BANKS FOR COOPERATIVES

12 U. S. C., § 1138

General corporate powers.—The Central Bank for Cooperatives, and the Production Credit Corporations, the Production Credit Associations, and the Banks for Cooperatives, organized under subchapters IV and V of this chapter shall have succession, until dissolved in accordance with this subchapter or any other Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of their business, to prescribe fees and charges (which in any case shall be subject to the rules and regulations prescribed by the governor) for loans and other services; and shall have such other powers necessary and incident to carrying out their powers and duties under this subchapter or any other Act of Congress as may be provided by the governor in their charters or in any amendments thereto. Each such bank, association, or corporation shall, for the purposes of jurisdiction, be deemed a citizen of the State or District within which its principal office is located. No district court of the United States shall have jurisdiction of any action or suit by or against any Production Credit Corporation or Production Credit Association upon the ground that it was incorporated under this chapter or that the United States owns a majority of the stock in it, nor shall any district court of the United States within the farm credit district served by such association or corporation have jurisdiction by removal or otherwise of any suit by or against any such association or corporation except in cases by or against the United States or by or against any officer of the United States and except in cases by or against any receiver of any such corporation or association appointed in accordance with section 1138e of this title. (June 16, 1933, c. 98, § 60, 48 Stat. 266; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

Financial control of corporations, see Chap. 14, Title 31, Money and Finance.

12 U. S. C., § 1138a

Examinations; assessments against corporations for cost of examinations.—At least once each year and at such other times as the governor deems necessary, the Central Bank for Cooperatives, and each Production Credit Corporation, Production Credit Association, and Bank for Cooperatives, organized under this chapter, shall be examined by examiners designated by the governor. The governor shall assess the cost of such examinations against the bank, association, or corporation examined, which shall pay such costs to the governor. The amount so assessed and unpaid shall be a prior lien on all assets of the bank, association, or corporation examined except on assets pledged to secure loans. (June 16, 1933, c. 98, § 61, 48 Stat. 267).

Auditing procedures and costs, see sections 850, 857, 858, and 866 of Title 31, Money and Finance.

12 U. S. C., § 1138b

Fiscal agents of United States.—The Central Bank for Cooperatives, the Production Credit Corporations, Production Credit Associations, the Federal Farm Mortgage Corporation, and Banks for Cooperatives, organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and when acting as such shall perform such duties as shall be prescribed by the Secretary of the Treasury. (June 16, 1933, c. 98, § 62, 48 Stat. 267; Jan. 31, 1934, c. 7, § 11, 48 Stat. 347.)

12 U. S. C., § 1138c

Tax exemption; realty and tangible personalty as subject to taxation; termination of tax exemption after retirement of Government-owned stock.—The Central Bank for Cooperatives, and the Production Credit Corporations, Production Credit Associations, and Banks for Cooperatives, organized under this chapter, and their obligations, shall be deemed to be instrumentalities of the United States, and as such, any and all notes, debentures, bonds, and other such obligations issued by such banks, associations, or corporations shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority. Such banks, associations, and corporations, their property, their franchises, capital, reserves, surplus, and other funds, and their income, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such banks, associations, and corporations shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. The exemption provided herein shall not apply with respect to any Production Credit Association or its property or income after the stock held in it by the Production Credit Corporation has been retired, or with respect to the Central Bank for Cooperatives, or any Production Credit Corporation or Bank for Cooperatives, or its property or income after the stock held in it by the United States has been retired. (June 16, 1933, c. 98, § 63, 48 Stat. 267.)

United States obligations and evidences of ownership issued after March 27, 1942, as subject to Federal taxation. See section 742a of Title 31, Money and Finance.

12 U. S. C., § 1138e

Receivership; voluntary liquidation.—Upon default of any obligation of any Production Credit Corporation, Production Credit Association, or regional Bank for Cooperatives, such bank, association, or corporation may be declared insolvent and placed in the hands of a receiver by the governor and proceedings shall thereupon be had in accordance with the provisions of law relating to the insolvency of national farm loan associations. Any such bank, association, or corporation may, with the consent of the governor, liquidate voluntarily, but only in accordance with such rules and regulations as the governor may prescribe. (June 16, 1933, c. 98, § 65, 48 Stat. 269.)

Insolvency of national farm loan associations, see sections 961 et seq. of this title.

12 U. S. C., § 1138f

Limitation on compensation payable to director, officer, or employee.—No director, officer, or employee of the Central Bank for Cooperatives, or of any Production Credit Corporation, Production Credit Association, or Bank for Cooperatives shall be paid compensation at a rate in excess of \$10,000 per annum. No officer or employee of the Farm Credit Administration engaged in carrying out the provisions of this subchapter and subchapters IV and V of this chapter shall be paid compensation at a rate in excess of \$10,000 per annum. (June 16, 1933, c. 98, § 66, 48 Stat. 269.)

SUBCHAPTER VII.—AGRICULTURAL MARKETING

HISTORICAL NOTE

This subchapter contains the Agricultural Marketing Act (approved June 15, 1929), as amended.

In view of the amendments to the Agricultural Marketing Act made by the Farm Credit Act of 1933 (approved June 16, 1933) and by the Farm Credit Act of 1935 (approved June 3, 1935), and of the transfer of its administration to the Governor of the Farm Credit Administration by Executive Order No. 6084, set forth at the beginning of this chapter under "Introductory," the provisions of the Act as amended have been transferred to this chapter from Title 7.

From the provisions of subchapter V of this chapter, it will be noted that many of the functions defined in this subchapter may now be exercised through regional banks for cooperatives and a central bank for cooperatives. Subchapter V provides for the establishment of banks for cooperatives with capital stock purchased from the revolving fund created under section 1141d of this subchapter; and the loaning powers of the banks for cooperatives, under subchapter V, are similar to those originally created under this subchapter and not rescinded by amendments thereto.

The Agricultural Marketing Act was entitled "An Act to establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries."

12 U. S. C., § 1141

Declaration of policy; effective merchandising of agricultural commodities; speculation; cooperative marketing; surpluses; administration of subchapter.—(a) It is declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products—

(1) by minimizing speculation.

(2) by preventing inefficient and wasteful methods of distribution.

(3) by encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies.

(4) by aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.

(b) There shall be considered as a surplus for the purposes of this subchapter any seasonal or year's total surplus, produced in the United States and either local or national in extent, that is in excess of the requirements for the orderly distribution of the agricultural commodity or is in excess of the domestic requirements for such commodity.

(c) The Farm Credit Administration shall execute the powers vested in it by this subchapter only in such manner as will, in the judgment of the administration, aid to the fullest practicable extent in carrying out the policy above declared. (June 15, 1929, c. 24, § 1, 46 Stat. 11; Mar. 27, 1933, Ex. Or. 6084.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 1141a

Governor of the Farm Credit Administration.—The Governor of the Farm Credit Administration shall be appointed by the President, by and with the advice and consent of the Senate. A successor to a Governor of the Farm Credit Administration shall have a term of office expiring six years from the date of the expiration of the term for which his predecessor was appointed, except that any person appointed to fill a vacancy in the office occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term. The Governor of the Farm Credit Administration shall be a citizen of the United States and shall not actively engage in any other business, vocation, or employment than that of serving as Governor; nor shall he during his term of office engage in the business (except such business as is necessary to the operation of his own farm or farms) of buying and selling, or otherwise be financially interested in, any agricultural commodity or product thereof. He shall receive a salary of \$12,000 a year, together with necessary traveling and subsistence expenses, or per diem allowance in lieu thereof, within the limitations prescribed by law, while away from his official station upon official business. (June 15, 1929, c. 24, § 2, 46 Stat. 11; Ex. Ord. No. 6084, Mar. 27, 1933.)

References to the Federal Farm Board were changed to Governor of the Farm Credit Administration and provisions relating to the creation and number of members of the Federal Farm Board, membership of Secretary of Agriculture, representation of the major agricultural commodities upon the Board, terms of office of its original members, designation of chairman and vice chairman, effect of vacancies, and quorum of the Board, were omitted on authority of Ex. Ord. No. 6084, cited to text, and set out in note preceding section 636 of this title, which changed the name of the Federal Farm Board to Farm Credit Administration, abolished the offices of its appointed members, except that of the chairman, and the functions of the Secretary of Agriculture as a member, changed the name of the chairman to Governor of the Farm Credit Administration, and vested him with all the powers and duties of the Federal Farm Board.

12 U. S. C., § 1141b

General powers of Farm Credit Administration.—The Farm Credit Administration—

(1) shall maintain its principal office in the District of Columbia, and such other offices in the United States as in its judgment are necessary.

(2) shall have an official seal which shall be judicially noticed.

(3) shall make an annual report to Congress upon the administration of this subchapter and any other matter relating to the better effectuation of the policy declared in section 1141 of this title, including recommendations for legislation.

(4) may make such regulations as are necessary to execute the functions vested in it by this subchapter.

(5) may appoint and fix the salaries of a secretary and such experts, and, in accordance with sections 661-663, 664-669, 670-672, 673 and 674 of Title 5, and subject to the provisions of the civil service laws, such other officers and employees, as are necessary to execute such functions.

(6) may make such expenditures (including expenditures for rent and personal services at the seat of government and elsewhere, for law books, periodicals, and books of reference, and for printing and binding) as are necessary to execute such functions. Expenditures by the administration shall be allowed and paid upon the presentation of itemized vouchers therefor approved by the governor of the administration.

(7) may sell at public or private sale to the highest responsible bidder, upon such terms and after such public advertisement as the Farm Credit Administration may deem in the public interest, any property, real or personal, or any interest therein, acquired by the United States on account of or as a result of any loans made from the revolving fund authorized by section 1141d of this title; may lease any such property, pending its sale, on such terms and for such period, not in excess of five years, as the Farm Credit Administration may deem in the public interest; and may incur and pay, from the said revolving fund, obligations and expenses for the operation, upkeep, maintenance, repair, disposition, insurance, and protection of any such property: *Provided*, That section 5 of Title 41 shall not be construed to apply to any purchase or service on account of such property. (June 15, 1929, c. 24, § 4, 46 Stat. 13; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 37, 50 Stat. 717.)

"Farm Credit Administration" and "administration" mentioned in the text were substituted for "Federal Farm Board" and "board," respectively, and "governor" was substituted for "chairman" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 1141c

Special powers of administration.—The administration is authorized and directed—

(1) to promote education in the principles and practices of co-operative marketing of agricultural commodities and food products thereof.

(2) to encourage the organization, improvement in methods, and development of effective cooperative associations.

(3) to keep advised from any available sources and make reports as to crop prices, experiences, prospects, supply, and demand, at home and abroad. (June 15, 1929, c. 24, § 5, 46 Stat. 13; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 50 (a), 48 Stat. 265.)

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Act of June 16, 1933, c. 98, § 50 (a), 48 Stat. 265, repealed paragraph (4) relating to investigations of overproduction and paragraph (5) relating to miscellaneous investigations.

12 U. S. C., § 1141d

Revolving fund.—There is authorized to be appropriated the sum of \$500,000,000 which shall be made available by the Congress as soon as practicable after the approval of this subchapter and shall constitute a revolving fund to be administered by the administration as provided in this subchapter. Any and all funds derived from the sale, lease, operation, or other disposition of any property, real or personal, acquired by the United States on account of or as a result of any loan made pursuant to the provisions of this subchapter, shall be covered into and become a part of said revolving fund. (June 15, 1929, c. 24, § 6, 46 Stat. 14; Mar. 27, 1933; Ex. Or. 6084; June 16, 1933, c. 98, §§ 33, 34, 40, 41, 48 Stat. 262, 264; Aug. 19, 1937, c. 704, § 38, 50 Stat. 718.)

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

For use of revolving fund in purchasing capital stock in regional and central banks for cooperatives, see sections 1134b and 1134i of subchapter V.

12 U. S. C., § 1141d-1

Interest rates on loans made from revolving fund.—Interest rates in excess of the rates set forth in notes or other obligations taken by the Federal Farm Board or the Farm Credit Administration for loans made from the revolving fund authorized by section 1141d of this title shall not be charged or collected on any of said loans, whether such loans have been heretofore or are hereafter paid in whole or in part, except that in those cases where a borrower by specific contract has agreed to pay a higher rate of interest, the contract rate shall be charged for the period agreed upon; and the amount of any interest collected in excess of the rates thus set forth or contracted for shall be refunded out of said fund or credited on the borrower's indebtedness. (June 22, 1939, c. 239, 53 Stat. 853.)

This section not a part of Agricultural Marketing Act.

12 U. S. C., § 1141e

Loans to cooperative associations.—(a) Upon application by any cooperative association the administration is authorized to make loans to it from the revolving fund [provided for in section 1141d] to assist in—

(1) the effective merchandising of agricultural commodities and food products thereof and the financing of its operations;

(2) the constructive or acquisition by purchase or lease, or refinancing the cost of such construction or acquisition, of physical facilities.

(b) No loan shall be made to any cooperative association unless, in the judgment of the administration, the loan is in furtherance of the policy declared in section 1141 of this title and the cooperative association applying for the loan has an organization and management, and business policies, of such character as to insure the reasonable safety of the loan and the furtherance of such policy.

(c) Loans for the construction or acquisition by purchase or lease of physical facilities, or for refinancing the cost of such construction or acquisition,* shall be subject to the following conditions:

*So in original.

(1) No loan shall be made in an amount in excess of 60 per centum of the appraised value of the security therefor.

(2) No loan for the purchase or lease of such facilities shall be made unless the Governor of the Farm Credit Administration finds that the purchase price or rent to be paid is reasonable.

(d) Loans for the construction or purchase of physical facilities, together with interest on the loans, shall be repaid upon an amortization plan over a period not in excess of twenty years. (June 15, 1929, c. 24, § 7, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 50–53, 48 Stat. 265; June 3, 1935, c. 164, §§ 9, 10, 49 Stat. 316.)

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Subsection (a) of this section originally contained a fifth paragraph, as follows: “(5) enabling the cooperative association applying for the loan to advance to its members a greater share of the market price of the commodity delivered to the association than is practicable under other credit facilities.” This paragraph was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933, subject to the following provisions of section 50 (b) of that Act:

“The repeal of section 7 (a) (5) shall not be construed to prohibit the extension, renewal, or refinancing of any loan made thereunder and outstanding on the date of the enactment of this Act, but loans to extend, renew, or refinance any such loan shall bear interest rates as determined under section 8 (a) of the Agricultural Marketing Act as amended by section 54 of this Act.”

See sections 1134c and 1134j of subchapter V for loans to cooperative associations by banks for cooperatives, established under the Farm Credit Act of June 16, 1933, and capitalized from the revolving fund provided for in § 1141d hereof.

12 U. S. C., § 1141f

Miscellaneous loan provisions.—(a) Loans to any cooperative association shall bear such rates of interest as the Governor of the Farm Credit Administration shall from time to time determine to be necessary for the needs of the lending agencies and shall by regulation prescribe (but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal) : *Provided, however,* That the rate of interest on any loan made under the provisions of section 1141e (a) (1) hereof, other than upon the security of commodities, shall conform as nearly as may be practicable to a rate of 1 per centum in excess of the prevailing interest rate paid by production credit associations to the Federal intermediate credit bank of the farm credit district in which the principal business office of the borrower is located; the rate of interest on any loan made upon the security of commodities shall conform, as nearly as may be practicable, to the prevailing interest rate on commodity loans charged borrowers from the Federal intermediate credit bank of the farm credit district in which the principal business office of the borrower is located; and that the rate of interest on any loan made under the provisions of section 1141e (a) (2) of this title shall conform as nearly as may be practicable to the prevailing rate on mortgage loans made to members of national farm loan associations.

(b) Payments of principal or interest upon any such loan or advance shall be covered into the revolving fund [provided for in section 1141d].

(c) Loans to any cooperative association or stabilization corporation shall be made upon the terms specified in this subchapter and upon such other terms not inconsistent therewith and upon such security as the administration deems necessary.

(d) No loan or insurance agreement shall be made by the administration if in its judgment the agreement is likely to increase unduly

the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual marketing requirements. (June 15, 1929, c. 24, § 8, 46 Stat. 14; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 54, 48 Stat. 266; June 3, 1935, c. 164, § 11, 49 Stat. 316; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704.)

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

Revolving fund, see section 1141d of this title.

See § 1141g and note thereto.

12 U. S. C., § 1141g

Stabilization corporations.—(a) The administration may, upon application of the advisory commodity committee for any commodity, recognize as a stabilization corporation for the commodity any corporation if—

(1) The administration finds that the marketing situation with respect to the agricultural commodity requires or may require the establishment of a stabilization corporation in order effectively to carry out the policy declared in section 1141 of this title; and

(2) The administration finds that the corporation is duly organized under the laws of a State or Territory; and

(3) The administration finds that all the outstanding voting stock or membership interests in the corporation are and may be owned only by cooperative associations handling the commodity; and

(4) The corporation agrees with the administration to adopt such bylaws as the administration may from time to time require, which bylaws, among other matters, shall permit cooperative associations not stockholders or members of the corporation to become stockholders or members therein upon equitable terms.

(b) Any stabilization corporation for an agricultural commodity (1) may act as a marketing agency for its stockholders or members in preparing, handling, storing, processing, and merchandising for their account any quantity of the agricultural commodity or its food products, and (2) for the purpose of controlling any surplus in the commodity in furtherance of the policy declared in section 1141 of this title, may prepare, purchase, handle, store, process, and merchandise, otherwise than for the account of its stockholders or members, any quantity of the agricultural commodity or its food products whether or not such commodity or products are acquired from its stockholders or members.

(c) Upon request of the advisory committee for any commodity the administration is authorized to make loans from the revolving fund to the stabilization corporation for the commodity for working capital to enable the corporation to act as a marketing agency for its stockholders or members as hereinbefore provided. Not less than 75 per centum of all profits derived by a stabilization corporation each year from its operations as such a marketing agency shall be paid into a merchandising reserve fund to be established by the corporation. No such payment shall be required whenever the fund is in such amount as, in the judgment of the administration, constitutes a sufficient reserve for such operations of the corporation. Out of the remainder of such profits for the year the corporation shall repay any

outstanding loan made under this subdivision and the accrued interest thereon, or if all such loans and accrued interest have been fully repaid, then it may distribute a patronage dividend to its stockholders or members. Such patronage dividend shall be paid to each stockholder or member on the basis of the total volume of the commodity or its products for the year marketed for his account through the corporation.

(d) Upon the request of the advisory committee for any commodity the administration is authorized to make loans from the revolving fund to the stabilization corporation for the commodity to enable the corporation to control any surplus in the commodity as hereinbefore provided and for meeting carrying and handling charges and other operating expenses in connection therewith. The administration shall require a stabilization corporation to establish and maintain adequate reserves from its profits from its surplus control operations before it shall pay any dividends out of such profits. All losses of the corporation from such operations shall be paid from such reserves, or if such reserves are inadequate, then such losses shall be paid by the Administration as a loan from the revolving fund. Any amounts so loaned for payment of losses shall be repaid into the revolving fund by the corporation from future profits from its surplus control operations. Any stabilization corporation receiving loans under this subdivision for surplus control operations shall exert every reasonable effort to avoid losses and to secure profits, but shall not withhold any commodity from the domestic market if the prices have become unduly enhanced, resulting in distress to domestic consumers. Stockholders or members of the corporation shall not be subject to assessment for any losses incurred in surplus control operations of the corporation.

(e) A stabilization corporation shall keep such accounts, records, and memoranda, and make such reports with respect to its transactions, business methods, and financial condition, as the administration may from time to time prescribe; shall permit the administration to audit its accounts annually and at such other times as the administration deems advisable; and shall permit the administration, upon its own initiative or upon written request of any stockholder or member, to investigate the financial condition and business methods of the corporation.

(f) No loan shall be made to any stabilization corporation unless, in the judgment of the administration, the loan is in furtherance of the policy declared in section 1141 of this title. (June 15, 1929, c. 24, § 9, 46 Stat. 15; Mar. 27, 1933, Ex. Or. 6084.)

This section constituted § 9 of the Agricultural Marketing Act of June 15, 1929. The powers and duties originally vested in the Federal Farm Board by this section were vested in the Farm Credit Administration, by § 3 of Executive Order No. 6084, subject to the following provisions of § 6 of that Order:

"The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions."

The "Advisory Commodity Committees" to which reference is made in this section were provided for by § 3 of the Agricultural Marketing Act of June 15, 1929, which section was repealed by section 50 (a) of the Farm Credit Act of June 16, 1933.

"Administration" mentioned in the text was substituted for "board" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 1141h

Avoidance of duplication; cooperation with other governmental establishments; obtaining information and data; cooperation with States, Territories, and agencies or subdivisions thereof; indicating research problems; transfer of offices, functions, etc.—

(a) The administration shall, in cooperation with any governmental establishment in the Executive branch of the Government, including any field service thereof at home or abroad, avail itself of the services and facilities thereof in order to avoid preventable expense or duplication of effort.

(b) The President may by Executive order direct any such governmental establishment to furnish the administration such information and data as such governmental establishment may have pertaining to the functions of the administration [under this subchapter]; except that the President shall not direct that the administration be furnished with any information or data supplied by any person in confidence to any governmental establishment in pursuance of any provision of law or of any agreement with a governmental establishment.

(c) The administration may cooperate with any State or Territory, or department, agency, or political subdivision thereof, or with any person.

(d) The administration shall, through the governor, indicate to the appropriate bureau or division of the Department of Agriculture any special problem on which a research is needed to aid in carrying out the provisions of this subchapter.

(e) The President is authorized, by Executive order, to transfer to or retransfer from the jurisdiction and control of the administration the whole or any part of (1) any office, bureau, service, division, commission, or board in the Executive branch of the Government engaged in scientific or extension work, or the furnishing of services, with respect to the marketing of agricultural commodities, (2) its functions pertaining to such work or services, and (3) the records, property, including office equipment, personnel, and unexpended balances of appropriation, pertaining to such work or services. (June 15, 1929, c. 24, § 13, 46 Stat. 17; Mar. 27, 1933, Ex. Or. 6084.)

The language in brackets does not appear in the United States Code.

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 1141i

Examination of books and accounts; limitation on purpose of examination respecting expenditures from revolving fund.—

Vouchers approved by the Governor of the Farm Credit Administration for expenditures from the revolving fund [provided for in section 1141d] pursuant to any loan or advance or from insurance moneys pursuant to any insurance agreement, shall be final and conclusive upon all officers of the Government; except that all financial transactions of the administration shall, subject to the above limitations, be examined by the General Accounting Office at such time and in such manner as the Comptroller General of the United States may by regulation prescribe. Such examination, with respect to expenditures from the revolving fund pursuant to any loan or advance or from insurance

moneys pursuant to any insurance agreement, shall be for the sole purpose of making a report to the Congress and to the Administration of expenditures and of loan and insurance agreements in violation of law, together with such recommendations thereon as the Comptroller General deems advisable. (June 15, 1929, c. 24, § 14, 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

Insurance agreements, to which reference is made in this section, were authorized to be made by § 11 of the Agricultural Marketing Act of June 15, 1929, which section was repealed by § 50 (a) of the Farm Credit Act of June 16, 1933. The provision, as originally contained in the Agricultural Marketing Act, authorized the Federal Farm Board, upon application of cooperative associations, to enter into agreements, subject to specified conditions for the insurance of the associations against loss through price decline in the agricultural commodity handled by the associations and produced by the members thereof. "Governor of the Farm Credit Administration" and "administration" mentioned in the text were substituted for "chairman of the board" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

12 U. S. C., § 1141j

Miscellaneous provisions—(a) "Cooperative association" defined.—As used in this subchapter, the term "cooperative association" means any association in which farmers act together in processing, preparing for market, handling, and/or marketing the farm products of persons so engaged, and also means any association in which farmers act together in purchasing, testing, grading, processing, distributing, and/or furnishing farm supplies and/or farm business services: *Provided, however,* That such associations are operated for the mutual benefit of the members thereof as such producers or purchasers and conform to one or both of the following requirements:

First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; and

Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum.

And in any case to the following:

Third. That the association shall not deal in farm products, farm supplies, and farm business services with or for nonmembers in an amount greater in value than the total amount of such business transacted by it with or for members. All business transacted by any cooperative association for or on behalf of the United States or any agency or instrumentality thereof shall be disregarded in determining the volume of member and nonmember business transacted by such association. (June 15, 1929, c. 24, § 15 (a), 46 Stat. 18; June 16, 1933, c. 98, § 55, 48 Stat. 266; June 3, 1935, c. 164, § 12, 49 Stat. 317.)

(b) Speculation prohibited.—It shall be unlawful for the governor, or any officer or employee of the Farm Credit Administration [engaged in the administration of this subchapter] to speculate, directly or indirectly, in any agricultural commodity or product thereof, or in contracts relating thereto, or in the stock or membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any person violating this subdivision shall upon conviction thereof be fined not more than \$10,000, or imprisoned not more than ten years, or both. (June 15, 1929, c. 24, § 15 (b), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

¹The language in brackets does not appear in the United States Code.

²"The governor" and "Farm Credit Administration" mentioned in the text were substituted for "any member" and "board," respectively, pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(c) Confidential information: disclosure prohibited.—It shall be unlawful (1) for any cooperative association, stabilization corporation, clearing house association, or commodity committee, or (2) for any director, officer, employee, or member or person acting on behalf of any such association, corporation, or committee, to which or to whom information has been imparted in confidence by the administration, to disclose such information in violation of any regulation of the administration. Any such association, corporation, or committee, or director, officer, employee, or member thereof, violating this subdivision, shall be fined not more than \$5,000, or imprisoned not more than five years, or both. (June 15, 1929, c. 24, § 15 (c), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

“Administration” mentioned in the text was substituted for “board” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(d) Governmental publications; predications as to cotton prices prohibited.—The inclusion in any governmental report, bulletin, or other such publication hereafter issued or published of any prediction with respect to cotton prices is prohibited. Any officer or employee of the United States who authorizes or is responsible for the inclusion in any such report, bulletin, or other publication of any such prediction, or who knowingly causes the issuance or publication of any such report, bulletin, or other publication containing any such prediction, shall, upon conviction thereof, be fined not less than \$500 or more than \$5,000, or imprisoned for not more than five years, or both: *Provided*, That this subdivision shall not apply to the Governor of the Farm Credit Administration when engaged in the performance of his duties herein provided. (June 15, 1929, c. 24, § 15 (d), 46 Stat. 18; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of the Farm Credit Administration” mentioned in the text was substituted for “members of the board,” pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this chapter.

(e) Separability clause.—If any provision of this subchapter is declared unconstitutional, or the applicability thereof to any person, circumstance, commodity, or class of transactions with respect to any commodity is held invalid, the validity of the remainder of the subchapter and the applicability of such provision to other persons, circumstances, commodities, and classes of transactions shall not be affected thereby. (June 15, 1929, c. 24, § 15 (e), 46 Stat. 18.)

(f) Citation of subchapter.—This subchapter may be cited as the “Agricultural Marketing Act.” (June 15, 1929, c. 24, § 15 (f), 46 Stat. 18.)

(g) “Agricultural commodity”; definition.—As used in this subchapter, the term “agricultural commodity” includes, in addition to other agricultural commodities, crude gum (oleoresin) from a living tree, and the following products as processed by the original producer of the crude gum (oleoresin) from which derived: Gum spirits of turpentine and gum rosin, as defined in section 92 of Title 7 [U. S. Code]. (June 15, 1929, c. 24, § 15 (g), 46 Stat. 18; Mar. 4, 1931, c. 520, § 3, 46 Stat. 1550.)

SUBCHAPTER VIII.—REGIONAL AGRICULTURAL CREDIT CORPORATIONS

HISTORICAL NOTE

The Executive Order of March 27, 1933, set forth at the beginning of this chapter under "Introductory," transferred to the jurisdiction and control of the Farm Credit Administration the functions defined in section 5 (e) of the Order, as follows: "The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional agricultural credit corporations formed under section 201 (e) of the Emergency Relief and Construction Act of 1932; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof."

The section of the Emergency Relief and Construction Act of July 21, 1932, to which reference is made in the above quoted paragraph of the Executive Order, is contained in section 605 (e) of Title 15, U. S. Code, and is also incorporated in this subchapter.

The Regional Agricultural Credit Corporation of Washington, D. C., the last remaining regional agricultural credit corporation, was abolished and its functions transferred to the Secretary of Agriculture by Public Law No. 38, 81st Congress, approved April 6, 1949.

12 U. S. C., § 1148

Regional agricultural credit corporations; creation; capital; management; loans; rediscounts; supervision.—The Farm Credit Administration is authorized to create in any of the twelve farm credit districts where it may deem the same to be desirable a regional agricultural credit corporation with a paid-up capital of not less than \$3,000,000, to be subscribed for by the Farm Credit Administration and paid for out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 602 of Title 15. Such corporations shall be managed by officers and agents to be appointed by the Farm Credit Administration under such rules and regulations as it may prescribe. Such corporations are hereby authorized and empowered to make loans or advances to farmers and stockmen, the proceeds of which are to be used for an agricultural purpose (including crop production), or for the raising, breeding, fattening, or marketing of livestock, to charge such rates of interest or discount thereon as in their judgment are fair and equitable, subject to the approval of the Farm Credit Administration, and to rediscount with the Farm Credit Administration and the various Federal reserve banks and Federal intermediate credit banks any paper that they acquire which is eligible for such purpose. All expenses incurred in connection with the operation of such corporations shall be supervised and paid by the Farm Credit Administration under such rules and regulations as its board of directors may prescribe. (July 21, 1932, c. 520, § 201, (e), 47 Stat. 713; Mar. 27, 1933, Ex. Or. 6084; Aug. 19, 1937, c. 704, § 5 (a), 50 Stat. 704; June 30, 1947, c. 166, title II, sec. 206, 61 Stat. 202.)

"Farm Credit Administration" mentioned in the text was substituted for "Reconstruction Finance Corporation" pursuant to the Executive Order cited thereto, which is set out in full at the beginning of this circular.

Pursuant to the Act of Feb. 24, 1938, 52 Stat. 79, the Act of March 8, 1938, 52 Stat. 107, and Executive Order No. 7848, dated March 22, 1938, the capital of the regional agricultural credit corporations is held by the Secretary of the Treasury, for and on behalf of the United States.

Act June 30, 1948, 62 Stat. 1192, authorized Regional Agricultural Credit Corporation of Washington, D. C., to make loans to fur farmers.

For restrictions on regional agricultural credit corporation loans, see Department of Agriculture appropriation acts, fiscal years 1944 et seq.

Financial control of corporations, see Chap. 14, Title 31, Money and Finance.

12 U. S. C., § 1148a

Reduction of capital stock of regional agricultural credit corporation; revolving fund from stock proceeds.—The Farm Credit Administration is authorized, with the approval of the Governor of the Farm Credit Administration, to reduce the capital of any Regional Agricultural Credit Corporation by such action as may be suitable for the purpose. The funds made available by any such reduction shall constitute a revolving fund, all or any part of which shall be available for use from time to time by the Farm Credit Administration for the purpose of increasing, with the approval of the Governor of the Farm Credit Administration, the capital of any Regional Agricultural Credit Corporation. (June 16, 1933, c. 98, § 84, 48 Stat. 273; June 30, 1947, c. 166, title II, § 206, 61 Stat. 202.)

12 U. S. C., § 1148b

Additional powers of regional agricultural credit corporations.—Each regional agricultural credit corporation, created under the authority of section 1148 of this title [201 (e) of the Emergency Relief and Construction Act of 1932] in addition to the powers granted prior to Aug. 19, 1937, shall have and, upon order or approval of the Farm Credit Administration, shall exercise the following rights, powers, and authority:

(a) *Places of transacting business.*—To conduct, transact, and operate its business in any State in the continental United States, in the District of Columbia, and in Puerto Rico.

(b) *Borrow money.*—To borrow money (other than by way of discount) from any other regional agricultural credit corporation, or any Federal intermediate credit bank, and to give security therefor.

(c) *Loans.*—To lend any of its available funds to any other regional agricultural credit corporation at such rates of interest and upon such terms and conditions as may be approved by the Farm Credit Administration.

(d) *Sale to or purchase from other like corporations.*—To sell to or purchase from any other regional agricultural credit corporation or any corporation formed by consolidation or merger as provided in section 1148c of this title, any part of or all the assets of any such corporation, upon such terms and conditions as may be approved by the Farm Credit Administration, including the assumption of the liabilities of any such corporation, in whole or in part. (Aug. 19, 1937, c. 704, § 32, 50 Stat. 716; June 30, 1947, c. 166, title II, § 206 (s), 61 Stat. 209.)

12 U. S. C., § 1148c

Consolidation or merger—(a) Power of Farm Credit Administration.—The Farm Credit Administration shall have the power and authority to order and effect the consolidation or merger of two or more regional agricultural credit corporations, on such terms and conditions as it shall direct.

(b) **Status of corporations formed by consolidation.**—The Farm Credit Administration is authorized to grant charters to, prescribe bylaws for, and fix the capital of, regional agricultural credit cor-

porations which may be formed by the consolidation of two or more regional agricultural credit corporations, and to approve or prescribe such amendments to the charter and bylaws of any regional agricultural credit corporation as it may from time to time deem necessary. Corporations formed by the consolidation of two or more regional agricultural credit corporations, as herein provided, shall have all the rights, powers, authority, and exemptions and shall be subject to the same supervision and control as provided by law in respect to regional agricultural credit corporations organized under section 1148 of this title. (Aug. 19, 1937, c. 704, § 33, 50 Stat. 717; June 30, 1947, c. 166, title II, § 206 (s), 61 Stat. 209.)

The United States Code omits the last sentence of this section.

Capital of regional agricultural corporations formed by consolidation held by Secretary of the Treasury, see note to § 1148.

12 U. S. C., § 1148d

Rights and powers unaffected by sections 1148b and 1148c.—Nothing contained in sections 1148b and 1148c of this title shall be construed as limiting the rights, powers, and authority granted prior to August 19, 1937, to the regional agricultural credit corporations, the Farm Credit Administration, or the Governor thereof by any Acts of Congress or Executive orders. (Aug. 19, 1937, c. 704, § 34, 50 Stat. 717.)

Title 7.—Agriculture

CHAPTER 18.—COOPERATIVE MARKETING ACT

7 U. S. C., § 451

Agricultural products defined.—When used in this chapter the term “agricultural products” means agricultural, horticultural, viticultural, and dairy products, livestock and the products thereof, the products of poultry and bee raising, the edible products of forestry, and any and all products raised or produced on farms and processed or manufactured products thereof, transported or intended to be transported in interstate and/or foreign commerce. (July 2, 1926, c. 725, § 1, 44 Stat. 802.)

7 U. S. C., § 452

Establishment of division of cooperative marketing.—The Governor of the Farm Credit Administration is hereby authorized and directed to establish a division of cooperative marketing with suitable personnel in the Farm Credit Administration. Such division shall be under the direction and supervision of the Governor of the Farm Credit Administration. (July 2, 1926, c. 725, § 2, 44 Stat. 802; Oct. 1, 1929, Ex. Or. 5200; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of Farm Credit Administration” and “Farm Credit Administration” mentioned in the text were substituted for “Secretary of Agriculture” and “Department of Agriculture,” respectively, pursuant to the Executive Orders cited thereto, which are set out in full at the beginning of this circular.

7 U. S. C., § 453

Authority and duties of division.—(a) The division shall render service to associations of producers of agricultural products, and federations and subsidiaries thereof, engaged in the cooperative marketing of agricultural products, including processing, warehousing, manufacturing, storage, the cooperative purchasing of farm supplies, credit, financing, insurance, and other cooperative activities.

(b) The division is authorized—

(1) To acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries.

(2) To conduct studies of the economic, legal, financial, social, and other phases of cooperation, and publish the results thereof. Such studies shall include the analyses of the organization, operation, financial, and merchandising problems of cooperative associations.

(3) To make surveys and analyses if deemed advisable of the accounts and business practices of representative cooperative associations upon their request; to report to the association so surveyed the results thereof; and with the consent of the association so surveyed to publish summaries of the results of such surveys, together with similar facts, for the guidance of cooperative associations and for the purpose of assisting cooperative associations in developing methods of business and market analysis.

(4) To confer and advise with committees or groups of producers, if deemed advisable, that may be desirous of forming a cooperative association and to make an economic survey and analysis of the facts surrounding the production and marketing of the agricultural product or products which the association, if formed, would handle or market.

(5) To acquire from all available sources information concerning crop prospects, supply, demand, current receipts, exports, imports, and prices of the agricultural products handled or marketed by cooperative associations, and to employ qualified commodity marketing specialists to summarize and analyze this information and disseminate the same among cooperative associations and others.

(6) To promote the knowledge of cooperative principles and practices and to cooperate, in promoting such knowledge, with educational and marketing agencies, cooperative associations, and others.

(7) To make such special studies, in the United States and foreign countries, and to acquire and disseminate such information and findings as may be useful in the development and practice of cooperation. (July 2, 1926, c. 725, § 3, 44 Stat. 802.)

7 U. S. C., § 454

Advisers to counsel with Governor of the Farm Credit Administration; expenses and subsistence.—The Governor of the Farm Credit Administration is authorized, in his discretion, to call advisers to counsel with him and/or his representatives relative to specific problems of cooperative marketing of farm products or any other cooperative activity. Any person, other than an officer, agent, or employee of the United States, called into conference, as provided for in this

section, may be paid actual transportation expenses and not to exceed \$10 per diem to cover subsistence and other expenses while in conference and en route from and to his home. (July 2, 1926, c. 725, § 4, 44 Stat. 803; Oct. 1, 1929, Ex. Or. 5200; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of Farm Credit Administration” mentioned in the text was substituted for “Secretary of Agriculture” pursuant to the Executive Orders cited thereto, which are set out in full at the beginning of this circular.

7 U. S. C., § 455

Dissemination of crop, market, etc., information by cooperative marketing associations.—Persons engaged, as original producers of agricultural products, such as farmers, planters, ranchmen, dairymen, nut or fruit growers, acting together in associations, corporate or otherwise, in collectively processing, preparing for market, handling, and marketing in interstate and/or foreign commerce such products of persons so engaged, may acquire, exchange, interpret, and disseminate past, present, and prospective crop, market, statistical, economic, and other similar information by direct exchange between such persons, and/or such associations or federations thereof, and/or by and through a common agent created or selected by them. (July 2, 1926, c. 725, § 5, 44 Stat. 803.)

7 U. S. C., § 456

Rules and regulations; appointment, removal, and compensation of employees; expenditures; appropriations.—The Governor of the Farm Credit Administration may make such rules and regulations as may be deemed advisable to carry out the provisions of this chapter and may cooperate with any department or agency of the Government, any State, Territory, District, or possession, or department, agency, or political subdivision thereof, or any person; and may call upon any other Federal department, board, or commission for assistance in carrying out the purposes of this chapter; and shall have the power to appoint, remove, and fix the compensation of such officers and employees not in conflict with existing law and make such expenditure for rent, outside the District of Columbia, printing, telegrams, telephones, books of reference, books of law, periodicals, newspapers, furniture, stationery, office equipment, travel, and other supplies and expenses as shall be necessary to the administration of this chapter in the District of Columbia and elsewhere, and there is hereby authorized to be appropriated, such sums as may be necessary after the fiscal year 1927, for carrying out the purposes of this chapter. (July 2, 1926, c. 725, § 6, 44 Stat. 803; Oct. 1, 1929, Ex. Or. 5200; Mar. 27, 1933, Ex. Or. 6084.)

“Governor of Farm Credit Administration” mentioned in the text was substituted for “Secretary of Agriculture” pursuant to the Executive Orders cited thereto, which are set out in full at the beginning of this circular.

7 U. S. C., § 457

Separability of provisions.—If any provision of this chapter is declared unconstitutional or the applicability thereof to any person or circumstance is held invalid, the validity of the remainder of the chapter and the applicability of such provision to other persons and

circumstances shall not be affected thereby, and nothing contained in this chapter is intended, nor shall be construed, to modify or repeal any of the provisions of sections 291 and 292 of this title [Title 7, U. S. Code]. (July 2, 1926, c. 725, § 7, 44 Stat. 803.)

Title 18.—Crimes and Criminal Procedure

The following extracts from Title 18 include only those sections which originated in whole or in part in earlier statutory provisions specifically applicable to the Farm Credit Administration, units under its supervision, or personnel thereof. They do not include other sections of Title 18 of general application which also apply to such administration, units, or personnel but did not have such an origin.

18 U. S. C., § 218

Acceptance of loan or gratuity by bank examiner.—Whoever, being an examiner or assistant examiner of member banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation, or a farm credit examiner or examiner of National Agricultural Credit Corporations accepts a loan or gratuity from any bank, corporation, association or organization examined by him or from any person connected therewith, shall be fined not more than \$5,000 or imprisoned not more than one year, or both; and may be fined a further sum equal to the money so loaned or gratuity given, and shall be disqualified from holding office as such examiner. (Derived from Act July 17, 1916, c. 245, §§ 31, 211 (d), 39 Stat. 382; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Aug. 19, 1937, c. 704, § 20, 50 Stat. 70; June 3, 1935, c. 164, § 21, 49 Stat. 319; 12 U. S. C. 981 and 1124.)

18 U. S. C., § 220

Receipt of commissions or gifts for procuring loans.—Whoever, being an officer, director, employee, agent, or attorney of a member bank of the Federal Reserve System, of a Federal intermediate credit bank, or of a National Agricultural Credit Corporation, except as provided by law, stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value, from any person, firm, or corporation, for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation, from any such bank or corporation, any loan or extension or renewal of loan or substitution of security, or the purchase or discount or acceptance of any paper, note, draft, check, or bill of exchange by any such bank or corporation, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. (Derived from Act July 17, 1916, c. 245, § 211 (e); Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; 12 U. S. C. 1125.)

18 U. S. C., § 221

Receipt or charge of commissions or gifts for farm loan or land bank transactions.—Whoever, being an officer, director, attorney, or employee of a national farm loan association, a Federal land bank, or a joint-stock land bank, organized or acting under authority of any

law of the United States, is a beneficiary of or receives, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of such association or bank, other than the usual salary or director's fee paid to such officer, director, or employee thereof, and a reasonable fee paid by such association or bank to such officer, director, attorney, or employee for services rendered, shall be fined not more than \$5,000 or imprisoned not more than one year, or both.

Whoever causes or procures any Federal land bank, joint-stock land bank or national farm loan association, organized under any Act of Congress, to charge or receive any fee, commission, bonus, gift, or other consideration not specifically authorized, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. (Derived from Act July 17, 1916, c. 245, § 31, 39 Stat. 382; 12 U. S. C. 983.)

18 U. S. C., § 371

Conspiracy to commit offense or to defraud United States.—If two or more persons conspire either to commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

If, however, the offense, the commission of which is the object of the conspiracy, is a misdemeanor only, the punishment for such conspiracy shall not exceed the maximum punishment provided for such misdemeanor. (Derived from Act June 16, 1933, c. 98, § 64 (f), 48 Stat. 269; 12 U. S. C. 1138d (f).)

18 U. S. C., § 431

Contracts by Member of Congress; exceptions.—Whoever, being a Member of or Delegate to Congress, or a Resident Commissioner, either before or after he has qualified, directly or indirectly, himself, or by any other person in trust for him, or for his use or benefit, or on his account, undertakes, executes, holds, or enjoys, in whole or in part, any contract or agreement, made or entered into in behalf of the United States or any agency thereof, by any officer or person authorized to make contracts on its behalf, shall be fined not more than \$3,000.

All contracts or agreements made in violation of this section shall be void; and whenever any sum of money is advanced by the United States or any agency thereof, in consideration of any such contract or agreement, it shall forthwith be repaid; and in case of failure or refusal to repay the same when demanded by the proper officer of the department or agency under whose authority such contract or agreement shall have been made or entered into, suit shall at once be brought against the person so failing or refusing and his sureties for the recovery of the money so advanced. (Derived from Act June 16, 1933, c. 98, § 64 (e), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347; 12 U. S. C. 1138d (e).)

18 U. S. C., § 432

Officer or employee contracting with Member of Congress.—Whoever, being an officer or employee of the United States, on behalf of the United States or any agency thereof, directly or indirectly makes or enters into any contract, bargain, or agreement, with any Member of or Delegate to Congress, or any Resident Commissioner, either before or after he has qualified, shall be fined not more than \$3,000. (Derived from Act June 16, 1933, c. 98, § 64 (e), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347; 12 U. S. C. 1138d (e).)

18 U. S. C., § 433

Exemptions with respect to certain contracts.—Sections 431 and 432 of this title shall not extend to any contract or agreement made or entered into, or accepted by any incorporated company for the general benefit of such corporation; nor to the purchase or sale of bills of exchange or other property where the same are ready for delivery and payment therefor is made at the time of making or entering into the contract or agreement. Nor shall the provisions of such sections apply to advances, loans, discounts, purchase or repurchase agreements, extensions, or renewals thereof, or acceptances, releases or substitutions of security therefor or other contracts or agreements made or entered into under the Reconstruction Finance Corporation Act, the Agricultural Adjustment Act, the Federal Farm Loan Act, the Emergency Farm Mortgage Act of 1933, the Federal Farm Mortgage Corporation Act, the Farm Credit Act of 1933, or the Home Owners Loan Act of 1933, the Farmers' Home Administration Act of 1946, the Bankhead-Jones Farm Tenant Act, or to crop insurance agreements or contracts or agreements of a kind which the Secretary of Agriculture may enter into with farmers.

Any exemption permitted by this section shall be made a matter of public record. (Derived from Act June 16, 1933, c. 98, § 64 (e), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347; 12 U. S. C. 1138d (e).)

18 U. S. C., § 493

Bonds and obligations of certain lending agencies.—Whoever falsely makes, forges, counterfeits or alters any note, bond, debenture, coupon, obligation, instrument, or writing in imitation or purporting to be in imitation of, a note, bond, debenture, coupon, obligation, instrument or writing, issued by the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, Home Owners' Loan Corporation, Farm Credit Administration, Federal Housing Administration, Federal Farm Mortgage Corporation or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

Whoever passes, utters, or publishes, or attempts to pass, utter or publish any note, bond, debenture, coupon, obligation, instrument or document knowing the same to have been falsely made, forged, counterfeited or altered, contrary to the provisions of this section, shall be fined not more than \$10,000 or imprisoned not more than five years, or

both. (Derived from Act July 17, 1916, c. 245, §§ 31, 211 (f), 39 Stat. 382; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; June 16, 1933, c. 98, § 64 (b), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347; 12 U. S. C. 982, 1126, and 1138d (b).)

18 U. S. C., § 657

Lending, credit and insurance institutions.—Whoever, being an officer, agent or employee of or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, Home Owners' Loan Corporation, Farm Credit Administration, Federal Housing Administration, Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States, and whoever, being a receiver of any such institution, or agent or employee of the receiver, embezzles, abstracts, purloins or willfully misapplies any moneys, funds, credits, securities or other things of value belonging to such institution, or pledged or otherwise intrusted to its care, shall be fined not more than \$5,000 or imprisoned not more than five years, or both; but if the amount or value embezzled, abstracted, purloined or misapplied does not exceed \$100, he shall be fined not more than \$1,000 or imprisoned not more than one year, or both. (Derived from Act July 17, 1916, c. 245, §§ 31, 211 (a), 39 Stat. 382; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, § 64 (c), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347; 12 U. S. C. 984, 1121, and 1138d (c).)

18 U. S. C., § 658

Property mortgaged or pledged to farm credit agencies.—Whoever, with intent to defraud, knowingly conceals, removes, disposes of, or converts, to his own use or to that of another, any property mortgaged or pledged to, or held by, the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation, or any production credit corporation or corporation in which a production credit corporation holds stock, any regional agricultural credit corporation, or any bank for cooperatives, shall be fined not more than \$5,000 or imprisoned not more than five years, or both; but if the value of such property does not exceed \$100, he shall be fined not more than \$1,000 or imprisoned not more than one year, or both. (Derived from Act June 16, 1933, c. 98, § 64 (d), 48 Stat. 268; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347; 12 U. S. C. 1138d (d).)

18 U. S. C., § 709

False advertising or misuse of names to indicate Federal agency.—Whoever, except as permitted by the laws of the United States use the words "national", "Federal", "United States", "reserve", or "Deposit Insurance" as part of the business or firm name of a person, corporation, partnership, business trust, association or other business entity engaged in the banking, loan, building and loan, brokerage, factorage, insurance, indemnity, savings or trust business; or

Whoever falsely advertises or represents, or publishes or displays any sign, symbol or advertisement reasonably calculated to convey the impression that a nonmember bank, banking association, firm or partnership is a member of the Federal reserve system; or

Whoever uses the words "Federal Deposit Insurance Corporation" or a combination of any three of these four words, as the name or a part thereof under which he or it does business, or advertises or otherwise represents falsely by any device whatsoever that deposit liabilities are insured or guaranteed by the Federal Deposit Insurance Corporation, or by the United States, or any instrumentality thereof, or falsely advertises or otherwise represents the extent or manner in which such deposit liabilities are insured by the Federal Deposit Insurance Corporation; or

Whoever, not being organized under chapter 7 of Title 12, advertises or represents that it makes Federal Farm loans or advertises or offers for sale as Federal Farm loan bonds any bond not issued under chapter 7 of Title 12, or uses the word "Federal" or the words "United States" or any other words implying Government ownership, obligation or supervision in advertising or offering for sale any bond, note, mortgage or other security not issued by the Government of the United States under the provisions of said chapter 7 or some other Act of Congress; or

Whoever uses the words "Federal Home Loan Bank" or any combination or variation of these words alone or with other words as a business name or part of a business name, or falsely publishes, advertises or represents by any device or symbol or other means reasonably calculated to convey the impression that he or it is a Federal Home Loan Bank or member of or subscriber for the stock of a Federal Home Loan Bank; or

Whoever uses the words "National Agricultural Credit Corporation" as part of the business or firm name of a person, corporation, partnership, business trust, association or other business entity not organized under the laws of the United States as a National Agricultural Credit Corporation; or

Whoever uses the words "Federal intermediate credit bank" as part of the business or firm name for any person, corporation, partnership, business trust, association or other business entity not organized as an intermediate credit bank under the laws of the United States; or

Whoever uses as a firm or business name the words "Federal Housing", "National Housing" or "United States Housing Authority" or any combination or variation of those words alone or with other words reasonably calculated to convey the false impression that such name or business has some connection with, or authorization from the Federal Housing Administration, the Government of the United States or any agency thereof, which does not in fact exist, or falsely advertises by any device whatsoever that any project, business or product has been in any way indorsed, authorized or approved by the Federal Housing Administration, the Government of the United States or any agency thereof; or

Whoever uses as a firm or business name the words "Reconstruction Finance Corporation" or any combination or variation of these words—

Shall be punished as follows: a corporation, partnership, business trust, association, or other business entity, by a fine of not more than

\$1,000; an officer or member thereof participating or knowingly acquiescing in such violation or any individual violating this section, by a fine of not more than \$1,000 or imprisonment for not more than one year, or both.

This section shall not make unlawful the use of any name or title which was lawful on the date of enactment of this title.

A violation of this section may be enjoined at the suit of the United States Attorney, upon complaint by any duly authorized representative of any department or agency of the United States. (Derived from Act July 17, 1916, c. 245, § 211 (h) ; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; 12 U. S. C. 1128.)

18 U. S. C., § 1006

Federal credit institution entries, reports and transactions.—Whoever, being an officer, agent or employee of or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, Home Owners' Loan Corporation, Farm Credit Administration, Federal Housing Administration, Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation, or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States, with intent to defraud any such institution or any other company, body politic or corporate, or any individual, or to deceive any officer, auditor, examiner or agent of any such institution or of department or agency of the United States, makes any false entry in any book, report or statement of or to any such institution, or without being duly authorized, draws any order or bill of exchange, makes any acceptance, or issues, puts forth or assigns any note, debenture, bond or other obligation, or draft, bill of exchange, mortgage, judgment, or decree, or, with intent to defraud the United States or any agency thereof, or any corporation, institution, or association referred to in this section, participates or shares in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other act of any such corporation, institution, or association, shall be fined not more than \$10,000 or imprisoned not more than five years, or both. (Derived from Act July 17, 1916, c. 245, §§ 31, 211 (a), 39 Stat. 382; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; Mar. 27, 1933, Ex. Or. 6084; June 16, 1933, c. 98, §§ 64 (c), 80 (a), 48 Stat. 268, 273; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347; 12 U. S. C. 983, 984, 1121, and 1138d (c).)

18 U. S. C., § 1011

Federal land bank mortgage transactions.—Whoever, being a mortgagee, knowingly makes any false statement in any paper, proposal, or letter, relating to the sale of any mortgage, to any Federal land bank; or

Whoever, being an appraiser, willfully overvalues any land securing such mortgage—

Shall be fined not more than \$5,000 or imprisoned not more than one year, or both. (Derived from Act July 17, 1916, c. 245, § 31, 39 Stat. 382; June 16, 1933, c. 98, § 78, 48 Stat. 272; 12 U. S. C. 987.)

18 U. S. C., § 1013

Farm loan bonds and credit bank debentures.—Whoever deceives, defrauds, or imposes upon, or attempts to deceive, defraud, or impose upon any person, partnership, corporation, or association by making any false pretense or representation concerning the character, issue, security, contents, conditions, or terms of any farm loan bond, or coupon, issued by any Federal land bank or banks, or by any joint-stock land bank or banks; or of any debenture, coupon, or other obligation, issued by any Federal intermediate credit bank or banks, or by any National Agricultural Credit Corporation; or by falsely pretending or representing that any farm loan bond, or coupon, is anything other than, or different from, what it purports to be on the face of said bond or coupon, shall be fined not more than \$500 or imprisoned not more than one year, or both. (Derived from Act July 17, 1916, c. 245, §§ 31, 211 (g), 39 Stat. 382; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; 12 U. S. C. 985 and 1127.)

18 U. S. C., § 1014

Loan and credit applications generally; renewals and discounts; crop insurance.—Whoever knowingly makes any false statement or report, or willfully overvalues any land, property or security, for the purpose of influencing in any way the action of the Reconstruction Finance Corporation, Farm Credit Administration, Federal Crop Insurance Corporation, Farmers' Home Corporation, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any division, officer, or employee thereof, or of any corporation, organized under sections 1131–1134m of Title 12, or in which a Production Credit Corporation holds stock, or of any regional agricultural credit corporation established pursuant to law, or of the National Agricultural Credit Corporation, a Federal Home Loan Bank, the Federal Home Loan Bank Board, the Home Owners' Loan Corporation, a Federal Savings and Loan Association, a Federal land bank, a joint-stock land bank, a National farm loan association, or of a Federal Reserve bank, upon any application, advance, discount, purchase, purchase agreement, repurchase agreement, commitment, or loan, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be fined not more than \$5,000 or imprisoned not more than two years, or both. (Derived from Act July 17, 1916, c. 245, §§ 31, 211 (b), 211 (c), 39 Stat. 382; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; June 16, 1933, c. 98, § 64 (a), 48 Stat. 267; Jan. 31, 1934, c. 7, § 13, 48 Stat. 347; 12 U. S. C. 981, 1122, 1123, and 1138d (a).)

18 U. S. C., § 1907

Disclosure of information by farm credit examiner.—Whoever, being a farm credit examiner or any examiner, public or private, discloses the names of borrowers of any national farm loan association, Federal land bank, or joint-stock land bank, or any organization examined by him under the provisions of law relating to Federal intermediate credit banks, to other than the proper officers of such institution or organization, without first having obtained express permission

in writing from the Land Bank Commissioner or from the board of directors of such institution or organization, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States or either House thereof, or any committee of Congress or either House duly authorized, shall be fined not more than \$5,000 or imprisoned not more than one year, or both; and shall be disqualified from holding office as a farm credit examiner. (Derived from Act July 17, 1916, c. 245, §§ 31, 211 (d), 39 Stat. 382; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; 12 U. S. C. 983 and 1124.)

18 U. S. C., § 1909

Examiner performing other services.—Whoever, being a national-bank examiner, Federal Deposit Insurance Corporation examiner, farm credit examiner, or an examiner of National Agricultural Credit Corporations, performs any other service, for compensation, for any bank or banking or loan association, or for any officer, director, or employee thereof, or for any person connected therewith in any capacity, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. (Derived from Act July 17, 1916, c. 245, §§ 31, 211 (d), 39 Stat. 382; Mar. 4, 1923, c. 252, § 2, 42 Stat. 1459; June 16, 1933, c. 98, § 80 (a), 48 Stat. 273; June 3, 1935, c. 164, § 21, 49 Stat. 319; 12 U. S. C. 981 and 1124.)

18 U. S. C., § 3056

Secret Service powers.—The Secretary of the Treasury is authorized to direct and use the Secret Service Division of the Treasury Department to detect, arrest, and deliver into custody any person violating any of the provisions of sections 508 and 509 of this title and, insofar as the Federal Deposit Insurance Corporation, Federal land banks, joint-stock land banks and national farm loan associations are concerned, of sections 218, 221, 433, 493, 657, 709, 1006, 1007, 1011, 1013, 1014, 1907, and 1909 of this title. (Derived from Act July 17, 1916, c. 245, § 31, 39 Stat. 382; 12 U. S. C. 986.)

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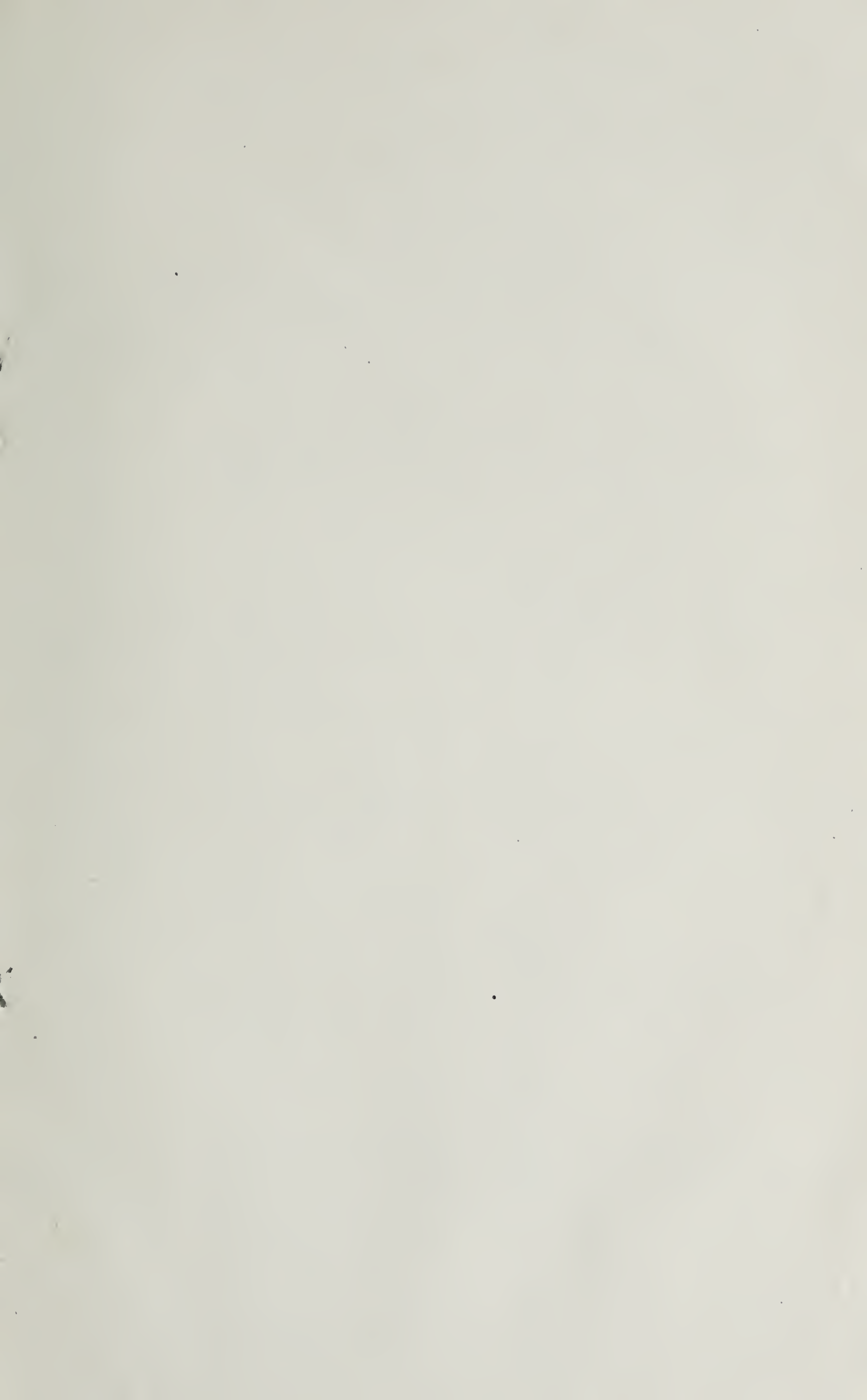
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LAWS

Administered by the

Farm Credit Administration

As Amended to January 1, 1957



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Farm Credit Administration

Washington, D. C.

Circular 20 Revised

Laws

Administered by the **Farm Credit Administration**

As Amended to January 1, 1957

**As Compiled in the United States Code
(Title 12, Chapter 7, Except Subchapter VIII;
Title 18, Selected Sections)**



Circular 20 Revised

Farm Credit Administration

January 1957

Foreword

This circular contains all general and permanent laws enacted by Congress which have particular reference to the Farm Credit Administration or the corporations under its supervision (i.e., the Federal land banks and national farm loan associations, the Federal intermediate credit banks and production credit associations, the banks for cooperatives, and the Federal Farm Mortgage Corporation), as compiled in the United States Code, 1952 Edition, and Supplement IV thereto, as of January 1, 1957 (Title 12, Chapter 7, except Subchapter VIII; Title 18, selected sections).

Provisions are included from the following Acts of Congress, as amended or supplemented, among others: the *Federal Farm Loan Act*, relating to Federal land banks, joint stock land banks (now liquidated), national farm loan associations, and Federal intermediate credit banks; the *Agricultural Marketing Act*; the *Emergency Farm Mortgage Act of 1933*, relating to the loans to farmers which were made by the Land Bank Commissioner on behalf of the Federal Farm Mortgage Corporation; the *Federal Farm Mortgage Corporation Act*; the *Farm Credit Act of 1933*, relating to production credit associations and banks for cooperatives; the *Farm Credit Act of 1937*, with reference to the district farm credit boards; the *Farm Credit Act of 1953*, which reestablished the Farm Credit Administration as an independent agency in the executive branch of the Government; the *Farm Credit Act of 1955*, which provided for the gradual retirement of Government capital in the banks for cooperatives and for such banks to be privately owned and operated on a cooperative basis; and the *Farm Credit Act of 1956*, which merged the production credit corporation in the Federal intermediate credit bank of each district and provided for the Government capital in such banks to be retired with the production credit associations eventually to achieve complete ownership of such credit banks. Also included are sections from Title 18 of the United States Code, Crimes and Criminal Procedure, which originally were derived from laws particularly applicable to the Farm Credit Administration or the corporations under its supervision. Preceding the statutory provisions herein is the pertinent part of Executive Order No. 6084 under which the Farm Credit Administration was first established in 1933.

At the head of each section in the circular is printed its number in the United States Code and, for each section from the Federal Farm Loan

Act, Agricultural Marketing Act, Emergency Farm Mortgage Act of 1933, Federal Farm Mortgage Corporation Act, and the Farm Credit Acts of 1933, 1937, 1953, and 1956, there is also printed the corresponding section number in the particular Act. The source citations at the end of each section are generally as found in the Code; in some cases, the words "amended" or "as amended" in the Code source citation are replaced by a semicolon in this circular; in other cases, where the Code source citation includes the words "as added" to indicate a new provision added to a prior statute and is followed by "and amended" to indicate subsequent amendments thereto, the circular follows the Code. In a few instances, the circular follows the text of the Code even though such text includes a reference to a section or note which has been repealed or is not included in the circular for some other reason. In the interest of consistency, the hyphens between the words "farm-loan" and "joint-stock", of which there are many in the Code and some in the laws as enacted, are omitted from the circular.

The explanatory notes contained in the United States Code are not all included herein, particularly such notes as that "Farm Credit Administration" was substituted for "Federal Farm Loan Board" pursuant to Executive Order No. 6084, or that "this subchapter" was substituted for "this Act", etc. The notes in the Code as to the effective dates and classification of the Farm Credit Acts of 1953, 1955, and 1956 are included in the circular under sections 636a (1953 Act), 1134d (1955 Act) and 1027 (1956 Act); the classification notes in the Code as to certain other major Acts are included in the circular under sections 641 (Federal Farm Loan Act), 639 (Farm Credit Act of 1933), and 640c (Farm Credit Act of 1937); but the numerous cross-references in the Code to such notes are not repeated in the circular.

This circular is intended as a convenient working reference for personnel of the Farm Credit Administration and the banks and associations under its supervision, and others who may be interested in their operations, but for some purposes it may be necessary to consult the statutes at large or the more comprehensive explanatory notes which may be found in the United States Code.

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Title 12—BANKS AND BANKING

Chapter 7

FARM CREDIT ADMINISTRATION

INTRODUCTORY

Ex. Ord. No. 6084. Reorganizing Agricultural Credit Agencies of the United States

Ex. Ord. No. 6084, Mar. 27, 1933, provided in part: . . . it is hereby ordered that:

(1) The functions of the Secretary of Agriculture as a member of the Federal Farm Board, and the offices of the appointed members of the Federal Farm Board, except the office of the member designated as chairman thereof, are abolished.

(2) The name of the Federal Farm Board is changed to the Farm Credit Administration.

(3) The name of the office of Chairman of the Federal Farm Board is changed to Governor of the Farm Credit Administration, and he is vested with all the powers and duties of the Federal Farm Board.

(4) The functions of the Secretary of the Treasury as a member of the Federal Farm Loan Board, and the offices of the appointed members of the Federal Farm Loan Board, except the office of the member designated as farm loan commissioner, are abolished, and all the powers and functions of the Federal Farm Loan Board are transferred to and vested in the Farm Loan Commissioner, subject to the jurisdiction and control of the Farm Credit Administration as herein provided.

(5) There are transferred to the jurisdiction and control of the Farm Credit Administration:

(a) The Federal Farm Loan Bureau and the functions thereof; together with the functions of the Federal Farm Loan Board, including the functions of the Farm Loan Commissioner;

(b) The functions of the Treasury Department and the Department of Agriculture, and the Secretaries thereof, under Executive authorizations to give aid to farmers, dated July 26, 1918, and any extensions or amendments thereof;

(c) The functions of the Secretary of Agriculture under all provisions of law relating to the making of advances or loans to farmers, fruit growers, producers and owners of livestock and crops, and to individuals for the purpose of assisting in forming or increasing the capital stock of agricultural-credit corporations, livestock-loan companies, or like organizations, except Public Resolution No. 74, Seventieth Congress, approved December 21, 1928, providing for the Puerto Rican Hurricane Relief Commission;

(d) The Crop Production Loan Office and the Seed Loan Office of the Department of Agriculture, and the functions thereof;

(e) The functions of the Reconstruction Finance Corporation and its Board of Directors relating to the appointment of officers and agents to manage regional

agricultural credit corporations formed under section 201 (e) of the Emergency Relief and Construction Act of 1932 [section 1148 of this title]; relating to the establishment of rules and regulations for such management; and relating to the approval of loans and advances made by such corporations and of the terms and conditions thereof.

(6) The functions vested in the Federal Farm Board by section 9 of the Agricultural Marketing Act [section 1141g of this title] are abolished, except that such functions shall continue to be exercised to such extent and for such time as may be necessary to permit the orderly winding up of the activities of stabilization corporations heretofore recognized under authority of such section, and the Governor of the Farm Credit Administration shall take appropriate action for winding up at the earliest practicable date the activities of such corporations and all affairs related to the exercise of such functions.

(7) The records, property (including office equipment), and personnel used and employed in the execution of the functions hereinbefore transferred are transferred to the jurisdiction and control of the Farm Credit Administration.

(8) The sum of \$2,000,000 of the unexpended balances of appropriations made to the Federal Farm Board by Public Resolutions No. 43 and No. 51 of the Seventy-second Congress shall be impounded and returned to the Treasury, which sum shall be in addition to the other savings to be effected by the Farm Credit Administration as a result of this order.

(9) The unexpended balances of appropriations to the Secretary of Agriculture, the Federal Farm Loan Bureau, and the Federal Farm Board for salaries, expenses, and all other administrative expenditures in the execution of the functions herein vested in the Farm Credit Administration shall be transferred to and vested in the Farm Credit Administration as a single fund for its use for salaries, expenses, and all other administrative expenditures for the execution of any or all of such functions without restriction as to the particular functions for the execution of which the same were originally appropriated. All other appropriations, allotments, and other funds available for use in connection with the functions and executive agencies hereby transferred and consolidated are hereby transferred to and vested in the Farm Credit Administration, and shall be available for use by it, for the same purposes as if the Farm Credit Administration were named in the law or authority providing such appropriations, allotments, or other funds.

(10) All power, authority, and duties conferred by law upon any officer, executive agency, or head thereof, from which or from whom transfer is hereinbefore made, in relation to the executive agency or function transferred, are transferred to and vested in the Governor of the Farm Credit Administration.

(11) The Governor of the Farm Credit Administration is directed to dismiss, furlough, transfer, or make other appropriate disposition of such of the officers and employees under his jurisdiction and control as are not required for the proper execution of the functions of the Farm Credit Administration.

(12) The Governor of the Farm Credit Administration is authorized to execute any and all functions and perform any and all duties vested in him through such persons as he shall by order designate or employ.

(13) The Governor of the Farm Credit Administration, by order or rules and regulations, may consolidate, regroup, and transfer offices, bureaus, activities, and functions in the Farm Credit Administration, so far as may be required to carry out the purposes to which this order is directed, and may fix or change the names of such offices, bureaus, and activities and the duties, powers, and titles of their executive heads.

This order shall take effect upon the sixty-first calendar day after its transmission to Congress unless otherwise determined in accordance with the provisions of section 407 of the act cited above, as amended.

[All functions, powers and duties of the Governor of the Farm Credit Administration which relate to the making, administration, and liquidation of all loans

identified or referred to in sections 5 (b), 5 (c), and 5 (d) of this Executive Order were abolished by act Aug. 14, 1946, ch. 964, § 2 (a) (2), 60 Stat. 1062, set out in note under section 1001 of Title 7. Regarding section 5 (e) of the Executive Order, the last remaining regional agricultural credit corporation was abolished and its functions transferred to the Secretary of Agriculture by act Apr. 6, 1949, ch. 49, 63 Stat. 43.]

Farm Credit Administration; General Administrative Provisions

The Farm Credit Administration originally was established as an independent agency by Ex. Ord. No. 6084, set out above, eff. May 27, 1933. It was transferred to the Department of Agriculture by 1939 Reorg. Plan No. 1, § 401, eff. July 1, 1939, 4 F. R. 2730, 53 Stat. 1429, set out in note under section 133t of Title 5, Executive Departments and Government Officers and Employees. By the Farm Credit Act of 1953, eff. Dec. 4, 1953, the Farm Credit Administration was reconstituted under the direction, supervision, and control of the Federal Farm Credit Board therein provided for, and was reestablished as an independent agency in the executive branch of the Government, as to which see sections 636b, 636c, 636d, 636e, and 636f of this title.

12 U. S. C. § 636

E. F. M. Act § 40

Farm Credit Administration; provisions relating to organization

The Governor of the Farm Credit Administration is authorized, in carrying out the powers and duties now or hereafter vested in him or the Farm Credit Administration by law or under any Executive order made under title IV of part II of the Legislative Appropriation Act of 1933, as amended, to establish, and to fix the powers and duties of, such divisions, agencies, corporations, and instrumentalities as he may deem necessary to the efficient functioning of the Farm Credit Administration and the successful execution of the powers and duties so vested in the Governor and the Farm Credit Administration. This section shall not be construed to restrict the authority of the President under title IV of such Act, as amended: *Provided*, That no salary or compensation shall be paid to any officer, agent, or other person employed under this section in excess of \$10,000 per annum. (*May 12, 1933, ch. 25, title II, § 40, 48 Stat. 51.*)

12 U. S. C. § 636a

F. C. Act 1953 § 2

Declaration of policy

It is declared to be the policy of the Congress to encourage and facilitate increased borrower participation in the management, control, and ultimate ownership of the permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration, and the provisions of sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e-1, 1134d, and 1134l of this

title shall be construed in keeping with this policy. The Federal Farm Credit Board hereinafter provided for shall within one year after appointment make recommendations to the Congress of means, supplemental to those provided by said sections, of carrying into effect such declared policy, including, but not limited to, means of increasing borrower participation in ownership of the Federal Farm Credit System to the end that the investment of the United States in the Federal intermediate credit banks, production credit corporations, Central Bank for Cooperatives, and regional banks for cooperatives may be retired. (*Aug. 6, 1953, ch. 335, § 2, 67 Stat. 390*).

Section 18 of act Aug. 6, 1953 (Farm Credit Act of 1953), provided: "This Act [sections 636a—636h, 903, 1131c (e), and 1131e-1 of this title, amendments to sections 640b, 640d, 1134d and 1134l of this title, the repeal of sections 637, 638, 652—655 and 1141a of this title and some provisions not set out in this circular] shall take effect one hundred and twenty days after the date of its enactment [Aug. 6, 1953]", making such effective date Dec. 4, 1953, but with a proviso for establishing the Federal Farm Credit Board earlier.

Section 17 (a) of act Aug. 6, 1953 (Farm Credit Act of 1953), provided: "(a) There are authorized to be appropriated such sums as may be necessary or appropriate for administering the provision of this Act: *Provided*, That the cost of examination and of administrative supervision of the Farm Credit Administration shall continue to be supported by assessments against institutions supervised by the Farm Credit Administration as provided in the Department of Agriculture Organic Act of 1944 [section 832 of this title]."

12 U. S. C. § 636b

F. C. Act 1953 § 3

Farm Credit Administration as independent agency; location; utilization of services; control

The Farm Credit Administration shall be an independent agency in the executive branch of the Government. It shall be housed in the Department of Agriculture in the District of Columbia, and it may, with the consent of the Secretary of Agriculture, utilize the services and facilities of the Department of Agriculture. The Federal Farm Credit Board, hereinafter provided for, shall have direction, supervision, and control of the Farm Credit Administration and of its operations and functions, as provided in sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e-1, 1134d, and 1134l of this title. (*Aug. 6, 1953, ch. 335, § 3, 67 Stat. 390.*)

12 U. S. C. § 636c

F. C. Act 1953 § 4

Federal Farm Credit Board—(a) Creation; composition and appointment of members

There shall be established, in the Farm Credit Administration, a Federal Farm Credit Board (hereinafter referred to as the "Board"). Said Board shall consist of thirteen members. Twelve of the members, one from each of the farm credit districts of the United States, shall be

known as appointed members and shall be appointed by the President with the advice and consent of the Senate. In making appointments to the Board the President shall have due regard to a fair representation of the public interest, the welfare of all farmers and the various types of cooperative agricultural credit interests; shall give special consideration to persons who are experienced in cooperative agricultural credit; and shall, before making such appointments, receive and consider nominations made as follows: The national farm loan associations in the district shall designate one nominee, the production credit associations in the district shall designate one nominee, and the cooperatives which are stockholders or subscribers to the guaranty fund of the bank for cooperatives of the district shall designate one nominee, in accordance with the procedure prescribed in sections 640e and 640f of this title for the nomination and election of members of a district farm credit board, except that only the two persons receiving the highest number of votes shall be included in the list of nominees prepared as a result of the voting under the procedure prescribed in said section 640e: *Provided*, That the names of all those who are tied for second place as a result of said voting shall be included in the list; and in case of a tie in the voting under the procedure prescribed in said section 640f all persons so tied shall be considered designated as nominees: *And provided further*, That if the same person would otherwise be on the list of nominees of more than one of said groups as a result of the voting under section 640e of this title he may choose the one list on which his name shall appear, and otherwise his name shall appear only on the list of the two highest nominees of the group which gave him the highest percentage of its votes. Subsequent appointments shall be made after receiving and considering nominations made in like manner.

(b) Qualifications of appointed members

Each appointed member of said Board shall be a citizen of the United States and shall have been a resident of the farm credit district from which appointed for not less than ten years next preceding his appointment, and the removal of residence from the district during his tenure shall operate as a termination of his membership on said Board. No appointed member of said Board shall be eligible to serve for more than one full term of six years, and, in addition, a term of less than six years if he is one of the first members to be appointed, or is appointed to fill, the unexpired portion of one term expiring before his appointment to a full term, except that one full term of six years shall be considered to include an additional four months if the particular term is one which was legally extended for an additional four months. No person shall be eligible for nomination or appointment to membership as an appointed member on said Board if such person has within one

year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration. Any person who is a member of the district farm credit board when appointed as a member of the Federal Farm Credit Board shall resign as a member of the district board before assuming his duties as a member of the Federal Farm Credit Board. No person who becomes an appointed member of said Board shall be eligible to continue to serve as a member thereof if such person becomes a member of any district farm credit board, or an officer or employee of the Farm Credit Administration, or an officer or employee of any corporation operating under the supervision of the Farm Credit Administration.

(c) Terms of office; vacancies

The term of office of the appointed members of said Board shall be six years, beginning on December 1, 1953, and such members shall serve until their successors are duly appointed and qualified; however, of the first appointed members appointed hereunder, two shall be appointed for a term of one year from said date, two for a term of two years, two for a term of three years, two for a term of four years, two for a term of five years, and two for a term of six years. All vacancies in the offices of appointed members on said Board shall be filled for the unexpired portion of the term upon like nominations and by like appointments as herein provided for the appointment of the first such members of said Board. All terms of office which otherwise would expire on November 30 of any year following enactment of the Farm Credit Act of 1955 are extended four months to expire on the following March 31 so that the term of office of all successors to the terms so extended shall begin with the first day of April.

**(d) Designation of thirteenth member
by Secretary of Agriculture; qualifications**

The thirteenth member of the Board shall be designated by the Secretary of Agriculture, shall serve at the pleasure of the Secretary, and shall be known as the Secretary's Representative on said Board. He shall be a citizen of the United States and shall have been a resident of the United States for not less than ten years next preceding his designation to membership on said Board. No person shall be eligible to be designated by the Secretary or to serve as the Secretary's Representative on said Board, if such person is a member of a district farm credit board, an officer or employee of any corporation operating under the supervision of the Farm Credit Administration. The Secretary's representative shall not be eligible to serve as Chairman, Vice Chairman, or Secretary of

the Board, but shall otherwise possess all rights and privileges of membership on said Board.

(e) Organization; election of officers; quorum; meetings

As soon as practicable after the memberships on said Board have been filled as provided in sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e-1, 1134d, and 1134l of this title, the members of said Board shall meet, subscribe the oath of office, and organize by electing from the appointed members a Chairman and a Vice Chairman; and said Board shall appoint a secretary from within or without its membership as it may see fit. The Board shall elect annually for a term of one year the Chairman, Vice Chairman, and Secretary, who shall serve until their successors are elected and take office. The Chairman shall preside at all meetings and the Vice Chairman shall preside in the absence or disability of the Chairman. The Board may, in the absence of both the Chairman and Vice Chairman, elect any appointed member to act as Chairman pro tempore. Seven members shall constitute a quorum of the Board for the transaction of business. The Board may function notwithstanding vacancies provided a quorum as herein established shall be present. The Board shall meet at such times and places as it may fix and determine, but shall hold at least four regularly scheduled meetings a year; and special meetings may be held on call of the Chairman or any three members of the Board.

(f) Compensation of Board members; expenses

Each member of the Board shall receive the sum of \$50 for each day or part thereof spent in the performance of his official duties, which compensation, however, shall not be paid for more than seventy-five days (or parts of days) in any calendar year; and shall not be paid to the Secretary's representative if he is a full-time officer or employee of the United States, or such payment is otherwise prohibited by law; and in addition, shall be reimbursed for necessary travel, subsistence, and other expenses incurred in the discharge of his official duties, without regard to other laws with respect to allowances which may be made on account of travel and subsistence expenses of officers and employed personnel of the United States.

(g) Adoption of rules; records

The Board shall adopt such rules as it may see fit for the transaction of its business, and shall keep permanent and complete records and minutes of its acts and proceedings. (*Aug. 6, 1953, ch. 335, § 4, 67 Stat. 390; Aug. 11, 1955, ch. 785, title IV, § 402, 69 Stat. 666.*)

12 U. S. C. § 636d

F. C. Act 1953 § 5

Governor of Farm Credit Administration—**(a) Appointment; general duties; removal**

The Board shall appoint a Governor of the Farm Credit Administration (hereinafter referred to as the “Governor”) who shall serve at the pleasure of the Board, and who shall, subject to the general supervision and direction of the Board as to matters of a broad and general supervisory, advisory, or policy nature, and except as otherwise herein specifically provided, be responsible for the execution of sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e–1, 1134d, and 1134l of this title, all Acts supplemental thereto, and all Acts creating the powers, functions, and duties of the Farm Credit Administration: *Provided, however,* That pending retirement of Government capital in institutions supervised by the Farm Credit Administration, the appointment of the Governor shall be subject to the approval of the President; and during such period the President shall have power to require the removal of the Governor.

(b) Compensation; maximum salary and expense allowance

The Board shall fix the compensation of the Governor: *Provided,* That the salary of the Governor shall not exceed \$17,500 a year, together with necessary traveling and subsistence expenses, or per diem allowance in lieu thereof within the limitations prescribed by law, while away from his official station upon official business.

(c) Compliance with Board orders; presumption

It shall be the duty of the Governor to comply with all orders and directions which he receives from the Board; as to all third persons, all acts of the Governor shall be conclusively presumed to be in compliance with the orders and directions of the Board.

(d) Personnel; composition of Farm Credit Administration; performance of functions, etc.

The Governor shall appoint such other personnel as may be necessary to carry out the functions, powers, and duties vested in the Farm Credit Administration. The Farm Credit Administration shall consist of the Board, the Governor, and such other personnel as are employed in carrying out the functions, powers, and duties vested in the Farm Credit Administration. All functions, powers, and duties of the Farm Credit Administration, except those herein conferred upon the Board, shall be exercised and performed by the Governor and may be exercised and

performed by him through such officers and employees of the Farm Credit Administration as he shall designate.

**(e) Termination of office of incumbent;
Acting Governor pending new appointment**

The term of office of the incumbent of the office of Governor of the Farm Credit Administration appointed before the effective date of this Act and holding office on that date shall terminate on that date and said office shall thereby become vacant: *Provided*, That if as of that date a Governor has not been appointed, and qualified, under sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e-1, 1134d, and 1134l of this title, the Secretary of Agriculture shall designate an assistant to the Secretary to serve as Acting Governor of the Farm Credit Administration and such Acting Governor shall exercise and perform all functions, powers, and duties vested in the Farm Credit Administration until the appointment and qualification of a Governor as provided in sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e-1, 1134d, and 1134l of this title. The Acting Governor shall be subject to the powers of the Board when the Board has been appointed and qualified. (*Aug. 6, 1953, ch. 335, § 5, 67 Stat. 392.*)

Annual rate of basic compensation of Governor as \$21,000, see section 2203 (a) of Title 5, Executive Departments and Government Officers and Employees.

12 U. S. C. § 636e

F. C. Act 1953 § 6

**Duties of Federal Farm Credit Board;
administrative powers, etc., of Governor**

It shall be the function and duty of the Board (1) to see that the policies fixed by the Board under sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e-1, 1134d, and 1134l of this title are carried out; (2) to require such reports as it deems necessary from the Governor and from any of the officials or corporations under the control or supervision of the Farm Credit Administration; (3) to make an annual report to Congress, including therein any recommendations of amendments to the laws relative to Federal agricultural credit; and (4) to exercise general direction and supervision over the performance of all functions, powers, and duties vested in the Governor when relating in the judgment of the Board to matters of a broad and general supervisory, advisory, or policy nature. It shall function as a unit without delegating authority to individual members and shall not operate in an administrative capacity; and all administrative powers, functions, and duties of the Farm Credit Administration shall be exercised and performed by the Governor. (*Aug. 6, 1953, ch. 335, § 6, 67 Stat. 393.*)

12 U. S. C. § 636f

F. C. Act 1953 § 7

**Abolishment of offices and transfer of funds, etc.;
appointments to, and transfer of, Federal
Farm Mortgage Corporation**

(a) The offices of the Land Bank Commissioner, Production Credit Commissioner, Cooperative Bank Commissioner, and Intermediate Credit Commissioner are abolished. The Governor shall designate an officer or employee of the Farm Credit Administration to serve at the pleasure of the Governor as a member of the board of directors of the Federal Farm Mortgage Corporation, in lieu of the Land Bank Commissioner. The Federal Farm Mortgage Corporation and its functions and activities are transferred to the Farm Credit Administration and shall be administered therein under the general direction and supervision thereof.

(b) Employees in the Department of Agriculture who are being utilized on the effective date of this Act primarily for the performance of functions, powers, and duties heretofore or by sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e-1, 1134d, and 1134l of this title vested in the Farm Credit Administration, shall be transferred to the jurisdiction and control of the Farm Credit Administration in those instances in which the Governor determines that they are qualified and necessary to carry out the functions, powers, and duties of the Farm Credit Administration.

(c) All assets, funds, contracts, property, and records used and employed in the execution of the functions, powers, and duties heretofore or by sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e-1, 1134d, and 1134l of this title vested in the Farm Credit Administration are hereby transferred to the jurisdiction and control of the Farm Credit Administration.

(d) So much of the unexpended balances of appropriations, allocations, and other funds available or to be made available for salaries, expenses, and all other administrative expenditures as the Director of the Bureau of the Budget shall determine for use in the execution of the functions heretofore or by sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e-1, 1134d, and 1134l of this title vested in the Farm Credit Administration, shall be transferred to and vested in the Farm Credit Administration.

(e) All unexpended balances of appropriations, allocations, or other funds, other than those mentioned in subsection (d) of this section, available (including those available for the fiscal year ending June 30, 1953) for the Farm Credit Administration and/or for the Secretary of Agriculture on account of the functions and activities of Farm Credit Administration, shall be transferred to the Farm Credit Administration and shall remain available for the exercise of the functions and activities

of the Farm Credit Administration. (*Aug. 6, 1953, ch. 335, § 7, 67 Stat. 393; Aug. 11, 1955, ch. 785, title I, §110 (c), 69 Stat. 662.*)

12 U. S. C. § 636g**F. C. Act 1953 § 8****Delegation of duties, powers, etc.,
to institutions in farm credit districts**

The Farm Credit Administration is authorized and directed, by order or rules and regulations, to delegate to a Federal land bank such of the duties, powers, and authority of the Farm Credit Administration with respect to and over National Farm Loan Associations, their officers and employees, in the farm credit district wherein such Federal land bank is located, as may be determined to be in the interest of effective administration; and, in like manner, to delegate to a Federal intermediate credit bank such of the duties, powers, and authority of the Farm Credit Administration with respect to and over production credit associations, their officers and employees, in the farm credit district wherein such Federal intermediate credit bank is located, as may be determined to be in the interest of effective administration; and, in either case the duties, powers, and authority so delegated shall be performed and exercised under such conditions and requirements and upon such terms as the Farm Credit Administration may specify. Any Federal land bank or Federal intermediate credit bank to which any such duties, powers, or authority may be delegated is authorized and empowered to accept, perform, and exercise such duties, powers, and authority as may be so delegated to it. (*Aug. 6, 1953, ch. 335, § 8, 67 Stat. 394; July 26, 1956, ch. 741, title I, § 107 (a), 70 Stat. 666.*)

12 U. S. C. § 636h**F. C. Act 1953 § 17 (b)****Administrative expenditures
of Farm Credit Administration**

Farm Credit Administration may, within the limits of funds available therefor, and subject to provisions of law generally applicable to Government agencies, make necessary expenditures for personnel services and rent at the seat of government and elsewhere; contract stenographic reporting services; purchase and exchange of lawbooks, books of reference, periodicals, newspapers, expenses of attendance at meetings and conferences; purchase, operation, and maintenance, at the seat of government and elsewhere, of motor-propelled passenger-carrying vehicles and other vehicles; printing and binding; and for such other facilities and services as it may from time to time find necessary for the proper administration of sections 636a—636h, 640b, 640d, 903, 1131c (e), 1131e—1, 1134d, and 1134l of this title. (*Aug. 6, 1953, ch. 335, § 17 (b), 67 Stat. 399.*)

12 U. S. C. § 639**F. C. Act 1933 § 82****Governor of Farm Credit Administration;
supplementary grant of powers**

The authority and powers conferred upon the governor under the Farm Credit Act of 1933 shall not be construed to be in substitution for authority and powers conferred upon him under existing law but shall be construed to be supplementary to such authority and powers. (*June 16, 1933, ch. 98, title VIII, § 82, 48, Stat. 273.*)

The Farm Credit Act of 1933, referred to in the text, is act June 16, 1933, which is classified to sections 637—640, 653, 659, 674, 677a, 694, 723, 744a, 771, 781, 791, 874, 876, 878—880, 884, 952, 964, 971, 972, 992, 1016—1018, 1022, 1031, 1131, 1131a, 1131b—1131g-1, 1131h, 1131i, 1134—1134m, 1138—1138c, 1138e, 1138f, 1141c, 1141d, 1141e, 1141f, 1141j, 1148a, and 1151a of this title, and section 610 of Title 7, Agriculture.

12 U. S. C. § 640**F. C. Act 1933 § 85****Seal of Farm Credit Administration**

The Farm Credit Administration shall have a seal, as adopted by the governor, which shall be judicially noticed. (*June 16, 1933, ch. 98, title VIII, § 85, 48 Stat. 273.*)

**District Organizations Under Supervision
of Farm Credit Administration; Farm Credit
Districts and Farm Credit Boards**

12 U. S. C. § 640a**F. C. Act 1937 § 5 (a)****Farm credit districts created**

There shall be twelve districts in the United States, including Alaska, Puerto Rico, and Hawaii, which shall be known as Farm Credit Districts and may be designated by number. The boundaries of the twelve Federal land bank districts existing as of August 19, 1937, shall be the boundaries of the respective farm credit districts. Such boundaries may be readjusted from time to time in the discretion of the Farm Credit Administration, provided that said districts shall be apportioned with due regard to the farm credit needs of the country and no such district shall contain a fractional part of any State. The designations "Federal land bank district" and "land bank district" wherever used in the Federal Farm Loan Act, or in any act amendatory thereof or supplementary

thereto, are changed to "farm credit district" and shall after August 19, 1937, be deemed to refer to the farm credit districts provided for in this section. (*Aug. 19, 1937, ch. 704, § 5 (a), 50 Stat. 704; Oct. 29, 1949, ch. 786, § 5, 63 Stat. 986.*)

12 U. S. C. § 640b**F. C. Act 1937 § 5 (b)****District farm credit boards; membership**

There shall be in each farm credit district a farm credit board which shall be selected as hereinafter specified and shall be composed of seven members. Each farm credit board shall include in its title the name of the city in which the Federal land bank, Federal intermediate credit bank, production credit corporation, and regional bank for cooperatives of the district are located. Three of the seven members of said board shall be known as elected directors, of whom one shall be chosen by national farm loan associations, one shall be chosen by production credit associations of the district, and one shall be chosen by cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives in the district. Subject to the other provisions hereof, three of the seven members shall be known as district directors and shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board. The seventh member of such board shall be known as director-at-large and shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board. After August 11, 1955, no person shall be eligible for election or appointment to membership on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration. Each farm credit board shall elect from its members a chairman and vice chairman, and shall appoint a secretary from within or without its membership as it may see fit. The chairman, vice chairman, and secretary shall each be elected for a term of one year and until their successors are elected and take office and the board shall elect such officers each year. The chairman shall preside at all meetings and the vice chairman shall preside in the absence or disability of the chairman. The board may, in the absence of both the chairman and the vice chairman, elect a member to act as chairman pro tempore. (*Aug. 19, 1937, ch. 704, § 5 (b), 50 Stat. 704; Aug. 6, 1953, ch. 335, § 14, 67 Stat. 396; Aug. 11, 1955, ch. 785, title IV, § 401 (a), 69 Stat. 666.*)

12 U. S. C. § 640c**F. C. Act 1937 § 5 (c)****Same; initial board to be composed of Federal land bank directors; successors**

The directors of the Federal land bank of each district who are in office on August 19, 1937, shall constitute the farm credit board of the district and shall serve as members thereof for the remaining portions of the terms for which they were respectively elected or appointed as directors of the bank. Except as otherwise provided by sections 640a—640k of this title, the successor to each original member of the farm credit board shall be selected in the manner in which such member was selected as a director of the Federal land bank. (*Aug. 19, 1937, ch. 704, § 5 (c), 50 Stat. 704.*)

In the original “sections 640a—640k of this title” reads “this act,” meaning the Farm Credit Act of 1937, act Aug. 19, 1937, which was incorporated into the code as sections 640a—640l, 656, 656a, 672, 677a, 695, 712, 719, 723, 724, 732, 745—747, 761, 771, 781, 823 note, 831, 883, 897, 951—953, 961, 967, 1016, 1020d, 1022, 1023, 1040, 1041, 1042, 1053, 1072, 1091, 1093, 1095, 1131, 1134, 1134c, 1134j, 1138, 1141b, 1141d, 1141f, 1148, and 1148b—1148d of this title.

12 U. S. C. § 640d**F. C. Act 1937 § 5 (d)****Same; replacement of district directors by elected directors in certain cases; State representation**

(1) The member of the farm credit board of each farm credit district known as the “third district director”, who is in office on the effective date of the Farm Credit Act of 1953, shall serve as such until his term of office expires. Thereafter, there shall be no member of the district farm credit board to be known as the “third district director”.

(2) Notwithstanding the provision of section 640b of this title with respect to the appointment of district directors, one additional member of said board shall be elected by each of the groups aforesaid (national farm loan associations and borrowers through agencies, production credit associations, and cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives of the district), and serve in lieu of a district director, under the following circumstances and conditions:

(A) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock held by national farm loan associations, surplus, and reserves of a Federal land bank shall equal or exceed $66\frac{2}{3}$ per centum of the total of the capital stock, surplus, and reserves of such bank as of the date six months before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the national farm loan associations of the district in the manner herein pro-

vided, shall be known as an elected director, and successors to that office shall be so elected and known from term to term while such conditions obtain: *Provided*, That if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date six months before the expiration of the term of office of any directors so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *And provided further*, That such national farm loan associations shall again and from time to time elect one additional director as aforesaid if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid.

(B) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock held by persons other than the Governor of the Farm Credit Administration, surplus, and reserves of the production credit associations (collectively) of a farm credit district shall equal or exceed $66\frac{2}{3}$ per centum of the total of the capital stock, surplus, and reserves of the production credit associations (collectively) of said district as of the date six months before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the production credit associations of the district in the manner herein provided, shall be known as an elected director, and successors to that office shall be so elected and known from term to term while such conditions obtain: *Provided*, That, if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date six months before the expiration of the term of office of any director so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *And provided further*, That such production credit associations shall again and from time to time elect one additional director as aforesaid, if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid.

(C) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund held by cooperatives which are stockholders or subscribers to the guaranty

fund of a regional bank for cooperatives, surplus and reserves of said bank shall equal or exceed $66\frac{2}{3}$ per centum of the total capital stock, subscriptions to the guaranty fund, surplus and reserves of said bank as of the date six months before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the cooperatives which are stockholders or subscribers to the guaranty fund of said bank in the manner herein provided, shall be known as an elected director, and successors to that office shall be so elected and known from term to term while such conditions obtain: *Provided*, That if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date six months before the expiration of the term of office of any director so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *Provided further*, That such cooperatives which are stockholders or subscribers to the guaranty fund of said bank shall again and from time to time elect one additional director as aforesaid if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid: *Provided further*, That at no time and under no conditions shall there be in office less than one or more than two members of said board who are serving by election of any one of the groups aforesaid (national farm loan associations and borrowers through agencies, production credit associations, and cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives of the district): *And provided further*, That if two or more of said groups shall, under the terms and provisions hereof, become qualified to elect an additional director pending the expiration of the term of office of the district director (or third district director) whose term next expires, preference shall be given, first to national farm loan associations and borrowers through agencies, next to production credit associations, and next to cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives, to elect an additional director as herein provided as the terms of office of district directors, including the third district director if he be still in office, expire.

(3) In any district which includes more than one State no person shall be eligible to be elected by any group if he is a resident of the same State as the other member elected by such group and then serving. If two directors are to be elected at the same election in any such district by any group, the election of the director to be elected by such group

under section 640b of this title shall be first determined, and the person receiving the most votes for election under paragraph (2) of this section who is not a resident of the same State as the director elected under section 5 (b) shall be declared elected.

(4) As directed by the Farm Credit Administration, the election of a director under paragraph (2) of this section by any group may be begun any time within six months before the expiration of the term of office to which the director is to succeed, subject to the required determination being made as of the date six months before the expiration of such term of office that a director so elected by such group is to serve in lieu of a district director (or third district director). (*Aug. 19, 1937, ch. 704, § 5 (d), 50 Stat. 704; Aug. 6, 1953, ch. 335, § 15, 67 Stat. 397; Aug. 11, 1955, ch. 785, title IV, § 401 (b), 69 Stat. 666; July 26, 1956, ch. 741, title I, § 106 (a) (1), 70 Stat. 666.*)

12 U. S. C. § 640e

F. C. Act 1937 § 5 (e)

Same; nomination of elected directors

At least two months before an election of an elected director the Farm Credit Administration shall cause notice in writing to be sent to those entitled to nominate candidates for such elected director. In the case of an election of a director by national farm loan associations and borrowers through agencies, such notice shall be sent to all national farm loan associations and borrowers through agencies in the district; in the case of an election by production credit associations, such notice shall be sent to all production credit associations in the district; and in the case of an election by cooperatives which are stockholders or subscribers to the guaranty fund of the bank for cooperatives of the district, such notice shall be sent to all cooperatives which are stockholders or subscribers to the guaranty fund at the time of sending notice. After receipt of such notice those entitled to nominate the director shall forward nominations of residents of the district to the Farm Credit Administration. The Farm Credit Administration shall, from the nominations received within thirty days after the sending of such notice, prepare a list of candidates for such elected director consisting of the ten nominees receiving the highest number of votes. (*Aug. 19, 1937, ch. 704, § 5 (e), 50 Stat. 705.*)

12 U. S. C. § 640f

F. C. Act 1937 § 5 (f)

Same; election of elected directors

At least one month before the election of an elected director the Farm Credit Administration shall mail to each person or organization entitled to elect the elected director the list of the ten candidates nominated in accordance with section 640e of this title. In the case of an election of a director by national farm loan associations and borrowers through

agencies, the directors of each farm loan association shall cast the vote of such association for one of the candidates on the list. In voting under sections 640a—640k of this title each such association shall be entitled to cast a number of votes equal to the number of stockholders of such association and each borrower through agencies shall be entitled to cast one vote. In voting under said sections each production credit association shall be entitled to cast a number of votes equal to the number of the class B stockholders of such association. In voting under said sections each cooperative which is a holder of stock in, or a subscriber to the guaranty fund of, the bank for cooperatives shall be entitled to cast one vote. The votes shall be forwarded to the Farm Credit Administration and no vote shall be counted unless received by it within thirty days after the sending of such list of candidates. In case of a tie the Farm Credit Administration shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective voters, as counted, shall be tabulated and preserved and shall be subject to examination by any candidate for at least one year after the result of the election is announced. (*Aug. 19, 1937, ch. 704, § 5 (f), 50 Stat. 705.*)

12 U. S. C. § 640g

F. C. Act 1937 § 5 (g)

Same; term of office; vacancies

The terms of office of all directors shall be three years. Any vacancies that may occur in the farm credit board shall be filled for the unexpired term in the manner provided in sections 640b—640f of this title for the original selection of such directors. (*Aug. 19, 1937, ch. 704, § 5 (g), 50 Stat. 705.*)

12 U. S. C. § 640h

F. C. Act 1937 § 5 (h)

Same; general qualifications of members

Members of each farm credit board shall have been, for at least two years, residents of the district for which they are appointed or elected. From and after August 19, 1937, no person shall be eligible for election or appointment as a member of any district farm credit board, and no person elected or appointed after August 19, 1937, as a member of any district farm credit board shall be eligible to continue to serve as such, if in either case said person is an officer or employee of any Federal land bank, Federal intermediate credit bank, or bank for cooperatives. No district director, excepting any third district director selected as specified in section 640d of this title, shall, during his continuance in office, be a director, officer, or employee of any institution, association, or partnership engaged in the business of lending money or of making or selling land mortgage loans, except an institution or association under the

supervision of the Farm Credit Administration. (*Aug. 19, 1937, ch. 704, § 5 (h), 50 Stat. 705; July 26, 1956, ch. 741, title I, § 106 (a) (2), 70 Stat. 166.*)

12 U. S. C. § 640i**F. C. Act 1937 § 5 (i)****Same; felons and defrauders ineligible**

No person shall be eligible for appointment or election as an administrative or executive official of a Federal land bank, Federal intermediate credit bank, or of any corporation or bank organized pursuant to the Farm Credit Act of 1933, or as a member of any farm credit board, or shall continue to hold office as such member, if such person has been finally adjudged guilty of a felony, or finally adjudged liable in damages in any civil proceeding for fraud, in any State or Federal court. (*Aug. 19, 1937, ch. 704, § 5 (i), 50 Stat. 706.*)

12 U. S. C. § 640j**F. C. Act 1937 § 5 (j)****Same; compensation of members**

Subject to the approval of the Farm Credit Administration members of each farm credit board shall receive such compensation as may be authorized by the board, including a reasonable allowance for necessary expenses in attending meetings of said board and directors' meetings. Such compensation shall be paid by the Federal land bank of the district, and such bank shall be reimbursed therefor by the Federal intermediate credit bank, production credit corporation and bank for co-operatives of the district in such proportion and in such manner as may be fixed by the farm credit board subject to the approval of the Farm Credit Administration. Except with the approval of the Farm Credit Administration, no member of any farm credit board shall receive compensation or allowances for any services rendered such institutions, in his capacity as director or otherwise, for more than thirty days in any one calendar year, exclusive of the period for which compensation is paid for attendance at meetings of said board and at directors' meetings. (*Aug. 19, 1937, ch. 704, § 5 (j), 50 Stat. 706.*)

12 U. S. C. § 640k**F. C. Act 1937 § 5 (k)****Laws unaffected**

Nothing contained in sections 640a—640j of this title shall be construed to abrogate or repeal section 672 of this title, or to affect the applicability of any other Act of Congress under which agricultural credit laws of the United States may be made applicable to territories or insular possessions of the United States. (*Aug. 19, 1937, ch. 704, § 5 (k), 50 Stat. 706.*)

12 U. S. C. § 640f**F. C. Act 1937 § 6****Powers of farm credit board**

Each farm credit board provided for in sections 640b and 640c of this title shall have power, subject to the approval of the Farm Credit Administration—

(a) Employment of joint officers and employees for certain organizations

To employ joint officers and employees for the Federal land bank, Federal intermediate credit bank, and regional bank for cooperatives in its district. The salaries or other compensation of all such joint officers and employees shall be fixed by the district farm credit board and shall be paid by the Federal land bank of the district. Such bank shall be reimbursed therefor by the other institutions in the district, in such amounts and upon such conditions as the board shall determine. Officers and employees appointed by the district farm credit board shall be officers and employees of the district institutions served by them.

(b) Authorization of acquisition and disposal of property

To authorize the acquisition and disposal of such property, real or personal, as may be necessary or convenient for the transaction of the business of the Federal land bank, the Federal intermediate credit bank, and the bank for cooperatives located in its district, upon such terms and conditions as it shall fix, and to prorate among such institutions the cost of purchases, rentals, construction, repairs, alterations, maintenance, and operation, in such amounts and in such manner as it shall determine. Any lease, or any contract for the purchase or sale of property, or any deed or conveyance of property, or any contract for the construction, repair, or alteration of buildings, authorized by a district farm credit board under this subsection shall be executed by the officers of the institution or institutions concerned pursuant to the direction of such board. No provision of law relative to the acquisition or disposal of property, real or personal, by or for the United States, or relative to the making of contracts or leases by or for the United States, including the provisions set out in Titles 40 and 41, and including provisions applicable to corporations wholly owned by the United States, shall be deemed or held applicable to any lease, purchase, sale, deed, conveyance, or contract authorized or made by a district farm credit board, Federal land bank, Federal intermediate credit bank, or bank for cooperatives under this subsection.

(c) Vacations and sick leaves

No corporation under the supervision of the Farm Credit Administration, of which corporation any member of the board of directors

is elected or appointed by private interests, shall be subject to the provisions of sections 29a, 30b, and 30c—30m of Title 5. (*Aug. 19, 1937, ch. 704, § 6, 50 Stat. 706; July 26, 1956, ch. 741, title I, § 106 (b), 70 Stat. 666.*)

Subchapter I—FEDERAL LAND BANKS, JOINT STOCK LAND BANKS, AND NATIONAL FARM LOAN ASSOCIATIONS

12 U. S. C. § 641

F. F. L. Act § 1

“Federal Farm Loan Act”; administration

The act of July 17, 1916 (ch. 245, 39 Stat. 360), as amended by act of March 4, 1923 (ch. 252, 42 Stat. 1454), to include Federal intermediate credit banks may be cited as the “Federal Farm Loan Act.” Its administration shall be under the direction and control of the Farm Credit Administration, created pursuant to Executive Order. (*July 17, 1916, ch. 245, § 1, 39 Stat. 360; Mar. 4, 1923, ch. 252, title I, §§ 1, 2, 42 Stat. 1454; Ex. Ord. No. 6084, Mar. 27, 1933.*)

The Federal Farm Loan Act, referred to in the text, is classified to sections 641, 642, 651—656, 658—664, 672, 673—677a, 691—698, 701, 711—723, 731—734, 741—744, 745—747, 751—756, 761, 771, 772, 781, 791, 801—808, 810—824, 831, 841—844, 851—857, 861—864, 871—886, 891—899, 901, 902, 903, 911—915, 921, 931, 932, 933, 941—943, 951—953, 961—963, 964—967, 971—973, 991, 992, 993, 1001, 1011, 1012, 1021—1023, 1024—1026, 1031—1033, 1041—1045, 1051—1053, 1061, 1062, 1072, 1081, 1091—1095, 1101, 1111, and 1129 of this title.

12 U. S. C. § 642

F. F. L. Act § 2

“First mortgage” and “farm loan bonds” defined

Wherever the term “first mortgage” is used in this subchapter it shall be held to include such classes of first liens on farm lands as shall be approved by the Farm Credit Administration, and the credit instruments secured thereby. The term “farm loan bonds” shall be held to include all bonds secured by collateral deposited with a farm loan registrar under the terms of this subchapter; they shall be distinguished by the addition of the words “Federal”, or “joint stock” as the case may be. (*July 17, 1916, ch. 245, § 2, 39 Stat. 360; Ex. Ord. No. 6084, Mar. 27, 1933.*)

Administrative Provisions Relative to This Subchapter

12 U. S. C. § 651

F. F. L. Act § 3

Federal Farm Loan Bureau

There shall be at the seat of government a bureau charged with the execution of this subchapter and of subchapter III of this chapter and of all Acts amendatory thereof, to be known as the "Federal Farm Loan Bureau", under the general supervision of the Farm Credit Administration. (*July 17, 1916, ch. 245, § 3, 39 Stat. 360; Ex. Ord. No. 6084, Mar. 27, 1933.*)

The Federal Farm Loan Bureau and its functions were transferred to the Farm Credit Administration by Ex. Ord. No. 6084, set out preceding section 636 of this title.

12 U. S. C. § 656

F. F. L. Act § 3

Registrars, appraisers, and examiners; appointment; restriction on right to engage in other business

The Farm Credit Administration shall appoint a farm loan registrar in each farm credit district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this chapter, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint one or more land bank appraisers for each farm credit district and as many farm credit examiners as it shall deem necessary. Farm loan registrars, deputy registrars, land bank appraisers, and farm credit examiners appointed under this section and sections 651, 658—664 of this title shall be public officials and shall, during their continuance in office, have no connection with or interest in any other institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages: *Provided*, That this limitation shall not apply to persons employed by the administration temporarily to do special work. (*July 17, 1916, ch. 245, § 3, 39 Stat. 361; Apr. 20, 1920, ch. 154, § 1, 41 Stat. 570; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, §§ 5 (a), 20, 50 Stat. 704, 710.*)

12 U. S. C. § 656a

F. C. Act 1937 § 20

Examiners to be designated "farm credit examiners"

Examiners appointed pursuant to the provisions of section 656 of this title shall after August 19, 1937, be designated and known as farm credit examiners. (*Aug. 19, 1937, ch. 704, § 20, 50 Stat. 710.*)

12 U. S. C. § 658**F. F. L. Act § 3****Appraisers and inspectors; compensation;
manner of payment**

Federal land bank appraisers, and appraisers or inspectors of Federal intermediate credit banks, shall receive such compensation as the Farm Credit Administration shall fix and shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks they serve, in such proportion and in such manner as the Farm Credit Administration shall order. (*July 17, 1916, ch. 245, § 3, 39 Stat. 361; Mar. 4, 1923, ch. 252, § 302, 42 Stat. 1473; Mar. 4, 1925, ch. 524, § 3, 43 Stat. 1262; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 659**F. F. L. Act § 3****Attorneys, experts, and other employees;
employment; salaries and fees**

The Farm Credit Administration shall be authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as it may deem necessary to conduct the business of said administration. All salaries and fees authorized in sections 651, 656, and 658—664 of this title and not otherwise provided for shall be fixed in advance by said administration and shall be paid in the same manner as the salary of the Land Bank Commissioner. All such attorneys, experts, assistants, clerks, laborers, and other employees, and all registrars, examiners, and appraisers shall be appointed without regard to the provisions of sections 632, 633, 635, 637, 638, and 640—642 of Title 5, or any rule or regulation made in pursuance thereof and may be classified without regard to the Classification Act of 1949: *Provided*, That nothing herein shall prevent the President from placing said employees in the classified service. (*July 17, 1916, ch. 245, § 3, 39 Stat. 361; Mar. 4, 1925, ch. 524, § 4, 43 Stat. 1263; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273; Oct. 28, 1949, ch. 782, title XI, § 1106 (a), 63 Stat. 972.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 660**F. F. L. Act § 3****Statements of salaries paid by land banks**

Every Federal land bank shall semiannually submit to the Farm Credit Administration a schedule showing the salaries or rates of compensation paid to its officers and employees. (*July 17, 1916, ch. 245, § 3, 39 Stat. 361; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 661**F. F. L. Act § 3****Annual report**

The Farm Credit Administration shall annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress. (*July 17, 1916, ch. 245, § 3, 39 Stat. 361; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 662**F. F. L. Act § 3****Examinations and reports by land banks;
appraisals of farm land; amortization tables**

The Farm Credit Administration shall from time to time require examinations and reports of condition of all land banks established under the provisions of this chapter and shall publish consolidated statements of the results thereof. It shall cause to be made appraisals of farm lands as provided by this chapter, and shall prepare and publish amortization tables which shall be used by national farm loan associations and land banks organized under this chapter. (*July 17, 1916, ch. 245, § 3, 39 Stat. 361; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 663**F. F. L. Act § 3****Statements of condition
of loan associations and land banks**

The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out by each such association or bank and transmitted to said administration as required by it. (*July 17, 1916, ch. 245, § 3, 39 Stat. 361; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 11, 1955, ch. 785, title III, § 301 (a), 69 Stat. 664.*)

12 U. S. C. § 664**F. F. L. Act § 3****Bulletins and circulars**

It shall be the duty of the Farm Credit Administration to prepare from time to time bulletins setting forth the principal features of this subchapter and of subchapter III of this chapter and through the Department of Agriculture or otherwise to distribute the same, particularly to the press, to agricultural journals, and to farmers' organizations; to prepare and distribute in the same manner circulars setting forth the principles and advantages of amortized farm loans and the protection afforded debtors under said subchapters, instructing farmers how to organize and conduct farm loan associations, and advising investors of the merits and advantages of farm loan bonds; and to disseminate in its

discretion information for the further instruction of farmers regarding the methods and principles of cooperative credit and organization. Said administration is instructed to lay before the Congress at each session its recommendations for further appropriations to carry out the objects of this section. (*July 17, 1916, ch. 245, § 3, 39 Stat. 361; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. 665

Rules and regulations

The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary or requisite for the efficient execution of the provisions of this subchapter and of subchapter III of this chapter, the Farm Credit Act of 1933, and/or any Act or Acts amendatory thereof or supplementary thereto. (*Jan. 23, 1932, ch. 9, § 6, 47 Stat. 14; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 11, 1955, ch. 785, title I, § 110 (d), 69 Stat. 662.*)

Organization of Federal Land Banks

12 U. S. C. § 672

F. F. L. Act § 4

Establishment; titles; branches; Puerto Rico and Alaska; loans by branches

The Farm Credit Administration shall establish in each farm credit district a Federal land bank, with its principal office located in such city within the district as said administration shall designate. Each Federal land bank shall include in its title the name of the city in which it is located. Subject to the approval of the Farm Credit Administration, any Federal land bank may establish branches within the farm credit district. Subject to the approval of the Farm Credit Administration and under such conditions as it may prescribe, the provisions of this subchapter and of subchapter III of this chapter are extended to the island of Puerto Rico and the Territory of Alaska; and the Farm Credit Administration shall designate a Federal land bank which is authorized to establish a branch bank in Puerto Rico and a Federal land bank which is authorized to establish a branch bank in the Territory of Alaska. Loans made by each such branch bank shall be subject to the restrictions and provisions of this chapter, except that each such branch bank may loan direct to borrowers, and, subject to such regulations as the Farm Credit Administration may prescribe, the rate charged borrowers may be 1½ per centum in excess of the rate borne by the last preceding issue of farm loan bonds of the Federal land bank with which such branch bank is connected: *Provided*, That no loan shall be made in Puerto Rico or Alaska by such branch bank for a longer term than twenty years.

Each borrower through such branch bank shall subscribe and pay for stock in the Federal land bank with which it is connected in the sum of \$5 for each \$100 or fraction thereof borrowed; such stock shall be held by such Federal land bank as collateral security for the loan of the borrower; shall participate in all dividends; and upon full payment of the loan shall be canceled at par and proceeds paid to borrower, or the borrower may apply the same to the final payments on his loan.

Notwithstanding the provisions of this section, loans may be made in Puerto Rico and Alaska through national farm loan associations, and the interest rate applicable to such loans shall be as provided in sections 771 and 772 of this title. Said associations shall be organized pursuant to sections 711—723 of this title, except that, upon the recommendation of the Federal land bank concerned, any such national farm loan association may be organized by ten or more borrowers who have obtained direct loans through a branch bank which aggregate not less than \$20,000, and who reside in a locality which may be covered and served conveniently by the charter of a national farm loan association and any national farm loan association after it has become organized may permit any direct-loan borrower through a branch bank to join the association. As to any direct-loan borrower through a branch bank who participates in the organization of a national farm loan association or joins a national farm loan association after it has become organized (1) the association shall endorse, and thereby become liable for the payment of, his mortgage loan held by the Federal land bank; (2) the stock in the Federal land bank held by him shall be exchanged for a like amount of stock in said bank issued in the name of the association and the association shall issue a like amount of its stock to him, all in the manner and subject to the terms and conditions provided in section 723 (d) of this title; and (3) the interest rate payable by him, beginning with the next regular installment date following the endorsement of his loan, shall be reduced to a rate one-half of 1 per centum per annum less than the rate paid by him prior to such endorsement. (*July 17, 1916, ch. 245, § 4, 39 Stat. 362; Feb. 27, 1921, ch. 78, 41 Stat. 1148; Mar. 4, 1923, ch. 252, title III, § 303, 42 Stat. 1474; Mar. 4, 1929, ch. 700, 45 Stat. 1558; May 17, 1932, ch. 190, 47 Stat. 158; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 5 (a), 50 Stat. 704; June 30, 1945, ch. 204, § 3, 59 Stat. 267; Oct. 28, 1949, ch. 786, § 1 (a), 63 Stat. 985.*)

12 U. S. C. 672a

Extension of provisions to Hawaii

The provisions of this subchapter and of subchapter III of this chapter and any Act amendatory thereof or supplementary thereto, are extended to the Territory of Hawaii. The Farm Credit Administration

shall include the Territory in a farm credit district, and such Federal land bank as the administration may designate is authorized to establish branch banks in the Territory. (*Mar. 10, 1924, ch. 46, § 2, 43 Stat. 17; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 5 (a), 50 Stat. 704.*)

12 U. S. C. § 673**F. F. L. Act § 4****Temporary management**

Each Federal land bank shall be temporarily managed by five directors appointed by the Farm Credit Administration. Said directors shall be citizens of the United States and residents of the district. They shall each give a surety bond, the premium on which shall be paid from the funds of the bank. They shall receive such compensation as the Farm Credit Administration shall fix. They shall choose from their number, by majority vote, a president, a vice president, a secretary, and a treasurer. They are further authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as they may deem necessary, and to fix their compensation, subject to the approval of the Farm Credit Administration. (*July 17, 1916, ch. 245, § 4, 39 Stat. 362; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 674**F. F. L. Act § 4****Organization certificates; contents**

Said temporary directors shall, under their hands, forthwith make an organization certificate, which shall specifically state:

First. The name assumed by such bank.

Second. The district within which its operations are to be carried on, and the particular city in which its principal office is to be located.

Third. The amount of capital stock and the number of shares into which the same is to be divided: *Provided*, That every Federal land bank organized under this subchapter shall by its articles of association permit an increase of its capital stock from time to time for the purpose of providing for the issue of shares to national farm loan associations and stockholders who may secure loans through agents of Federal land banks in accordance with the provisions of this subchapter.

Fourth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this subchapter. The organization certificate shall be acknowledged before a judge or clerk of some court of record or notary public, and shall be, together with the acknowledgment thereof, authenticated by the seal of such court or notary, transmitted to the Land Bank Commissioner, who shall record and carefully preserve the same in his office, where it shall be at all times open

to public inspection. (*July 17, 1916, ch. 245, § 4, 39 Stat. 362; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 675

F. F. L. Act § 4

Changes in organization certificate

The Farm Credit Administration is authorized to direct such changes in or additions to any such organization certificate, not inconsistent with this subchapter, as it may deem necessary or expedient. (*July 17, 1916, ch. 245, § 4, 39 Stat. 363; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 676

F. F. L. Act § 4

Time of commencement of corporate existence; powers enumerated

Upon duly making and filing such organization certificate the bank shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power—

First. To adopt and use a corporate seal.

Second. To have succession until it is dissolved by Act of Congress or under the provisions of this chapter.

Third. To make contracts.

Fourth. To sue and be sued, complain, interplead, and defend, in any court of law or equity, as fully as natural persons.

Fifth. To elect or appoint directors, and by its board of directors to elect a president and a vice president, appoint a secretary and a treasurer and other officers and employees, define their duties, require bonds of them, and fix the penalty thereof; by action of its board of directors dismiss such officers and employees, or any of them, at pleasure and appoint others to fill their places.

Sixth. To prescribe, by its board of directors, subject to the supervision and regulation of the Farm Credit Administration, bylaws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected, its officers elected or appointed, its property transferred, its general business conducted and the privileges granted to it by law exercised and enjoyed.

Seventh. To exercise, by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business herein described. (*July 17, 1916, ch. 245, § 4, 39 Stat. 363; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 677**F. F. L. Act § 4****Time of termination of temporary management**

After the subscriptions to stock in any Federal land bank by national farm loan associations, hereinafter authorized, shall have reached the sum of \$100,000, the officers and directors of said land bank shall be chosen as herein provided and shall, upon becoming duly qualified, take over the management of said land bank from the temporary officers selected under section 673 of this title. (*July 17, 1916, ch. 245, § 4, 39 Stat. 363.*)

12 U. S. C. § 677a**F. F. L. Act § 4****Directors; compensation
of officers and employees**

The members of the farm credit board of each farm credit district provided for in section 640a of this title shall be ex officio the directors of the Federal land bank located in that district. Any compensation that may be provided by the board of directors of any Federal land bank for officers or employees shall be subject to the approval of the Farm Credit Administration. (*July 17, 1916, ch. 245, § 4, 39 Stat. 363; Mar. 4, 1923, ch. 252, § 304, 42 Stat. 1474; June 16, 1933, ch. 98, title VII, § 70a (a) (1—4), title VIII, § 80 (a), 48 Stat. 269, 273; Aug. 19, 1937, ch. 704, § 7 (b), 50 Stat. 707.*)

Capital Stock of Federal Land Banks**12 U. S. C. § 691****F. F. L. Act § 5****Minimum amount of original capital;
regulation of subscriptions**

Every Federal land bank shall have, before beginning business, a subscribed capital of not less than \$750,000. The Farm Credit Administration is authorized to prescribe the times and conditions of the payment of subscriptions to capital stock, to reject any subscription in its discretion, and to require subscribers to furnish adequate security for the payment thereof. (*July 17, 1916, ch. 245, § 5, 39 Stat. 364; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 692**F. F. L. Act § 5****Shares; value; who may subscribe
to original stock**

The capital stock of each Federal land bank shall be divided into shares of \$5 each, and may be subscribed for and held by any individual firm, or corporation, or by the Government of any State or of the United States. (*July 17, 1916, ch. 245, § 5, 39 Stat. 364.*)

12 U. S. C. § 693**F. F. L. Act § 5****Transfer of stock held
by national farm loan associations**

Stock held by national farm loan associations shall not be transferred or hypothecated, and the certificates therefor shall so state. (*July 17, 1916, ch. 245, § 5, 39 Stat. 364.*)

12 U. S. C. § 694**F. F. L. Act § 5****Dividends; voting stock**

Stock owned by the Government of the United States in Federal land banks shall receive no dividends, but all other stock shall share in dividend distributions without preference. Each national farm loan association and the Government of the United States shall be entitled to one vote for each share of stock held by it in deciding all questions at meetings of shareholders, and no other shareholder shall be permitted to vote. Stock owned by the United States shall be voted by the Land Bank Commissioner, as directed by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 5, 39 Stat. 364; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 695**F. F. L. Act § 5****Subscriptions to original stock; subscriptions
by United States for unsubscribed
balance of original capital stock**

It shall be the duty of the Farm Credit Administration, as soon as practicable after July 17, 1916, to open books of subscription for the capital stock of a Federal land bank in each farm credit district. If within thirty days after the opening of said books any part of the minimum capitalization of \$750,000 herein prescribed for Federal land banks shall remain unsubscribed, it shall be the duty of the Secretary of the Treasury to subscribe the balance thereof on behalf of the United States, said subscription to be subject to call in whole or in part by the board of directors of said land bank upon thirty days' notice with the approval of the Farm Credit Administration; and the Secretary of the Treasury is authorized and directed to take out shares corresponding to the unsubscribed balance as called, and to pay for the same out of any moneys in the Treasury not otherwise appropriated. Thereafter no stock shall be issued except as hereinafter provided. (*July 17, 1916, ch. 245, § 5, 39 Stat. 364; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 5 (a), 50 Stat. 704.*)

12 U. S. C. § 696**F. F. L. Act § 5****Retirement of original stock**

After the subscriptions to capital stock by national farm loan associations shall amount to \$750,000 in any Federal land bank, said bank shall apply semiannually to the payment and retirement of the shares of stock which were issued to represent the subscriptions to the original capital twenty-five per centum of all sums thereafter subscribed by national farm loan associations, by borrowers through agencies, and by borrowers through branch banks to capital stock until all such original capital stock is retired at par. (*July 17, 1916, ch. 245, § 5, 39 Stat. 364; Jan. 23, 1932, ch. 9, § 1, 47 Stat. 12.*)

12 U. S. C. § 697**F. F. L. Act § 5****Proportion held in quick assets**

At least twenty-five per centum of that part of the capital of any Federal land bank for which stock is outstanding in the name of national farm loan associations shall be held in quick assets, and may consist of cash in the vaults of said land bank, or in deposits in member banks of the Federal reserve system, or in readily marketable securities which are approved under rules and regulations of the Farm Credit Administration: *Provided*, That not less than five per centum of such capital shall be invested in United States Government bonds. (*July 17, 1916, ch. 245, § 5, 39 Stat. 364; Ex. Ord. No. 6084, Mar. 27, 1933.*)

Land Banks as Government Depositories and Agents**12 U. S. C. § 701****F. F. L. Act § 6****Federal and joint stock land banks
as Government depositories and financial agents;
surety bonds; investment of funds**

All Federal land banks and joint stock land banks organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall be depositories of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositories of public money and financial agents of the Government, as may be required of them. And the Secretary of the Treasury shall require of the Federal land banks and joint stock land banks thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safekeeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government. No Government funds deposited under

the provisions of this section shall be invested in mortgage loans or farm loan bonds. (*July 17, 1916, ch. 245, § 6, 39 Stat. 365.*)

National Farm Loan Associations Generally

12 U. S. C. § 711

F. F. L. Act § 7

Organization; articles of association; signature; copies for land banks

Corporations, to be known as national farm loan associations, may be organized by persons desiring to borrow money on farm mortgage security under the terms of this subchapter. Such persons shall enter into articles of association which shall specify in general terms the object for which the association is formed and the territory within which its operations are to be carried on, and which may contain any other provision, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. Said articles shall be signed by the persons uniting to form the association, and a copy thereof shall be forwarded to the Federal land bank for the district, to be filed and preserved in its office. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365.*)

12 U. S. C. § 712

F. F. L. Act § 7

Directors; officers; loan committee

The board of directors of every national farm loan association shall consist of not less than five nor more than seven members, who shall be elected by the shareholders of the association. Elections of such directors shall be held once each year at an annual meeting of the shareholders. Every national farm loan association shall at the first annual meeting of its shareholders subsequent to August 19, 1937, elect two directors for a term of three years, two directors for a term of two years, and the remainder of its board of directors for a term of one year. Thereafter directors shall be chosen to serve for terms of three years, and the shareholders of each association shall annually elect as many directors as may be necessary to fill the places of those directors whose terms expire during the year. Any vacancy that may occur in the board of directors through death, resignation or other cause shall be filled at the next annual meeting of shareholders by the election of a director to serve out the unexpired portion of the term, or a special meeting of shareholders may be called for this purpose. Until such election the remaining directors shall have power to fill the vacancy for the time being by appointing a temporary director to serve until the next meeting of shareholders. All directors shall hold office until their successors are elected and have qualified. It shall be the

duty of said board of directors to choose in such manner as they may prefer a secretary-treasurer, who shall receive such compensation as said board of directors shall determine. The board of directors shall elect a president, a vice president, and a loan committee of three or more members. The secretary-treasurer shall be eligible for membership on the loan committee. The board of directors may empower (a) the loan committee to elect applicants to membership and (b) any three members of said committee to act as the loan committee in approving loans on behalf of the association and in electing applicants to membership in the association. No action by the loan committee shall be valid where the full committee is acting unless unanimously approved by all members or where any three of its members are acting as herein provided unless approved by all such members. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365; Aug. 19, 1937, ch. 704, § 21, 50 Stat. 710; June 30, 1945, ch. 204, § 1 (a), 59 Stat. 266.*)

12 U. S. C. § 713**F. F. L. Act § 7****Compensation and qualifications of directors**

The directors and all officers except the secretary-treasurer shall serve without compensation, unless the payment of salaries to them shall be approved by the Farm Credit Administration. All officers and directors except the secretary-treasurer shall, during their term of office, be bona fide residents of the territory within which the association is authorized to do business, and shall be shareholders of the association. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 714**F. F. L. Act § 7****Secretary-treasurer; powers and duties; bond; reports; misconduct in office**

It shall be the duty of the secretary-treasurer of every national farm loan association to act as custodian of its funds and to deposit the same in such bank as the board of directors may designate, to pay over to borrowers all sums received for their account from the Federal land bank upon first mortgage as in this chapter prescribed, and to meet all other obligations of the association, subject to the orders of the board of directors and in accordance with the bylaws of the association. It shall be the duty of the secretary-treasurer, acting under the direction of the national farm loan association, to collect, receipt for, and transmit to the Federal land bank payments of interest, amortization installments, or principal arising out of loans made through the association. He shall be the custodian of the securities, records, papers, certificates of stock, and all documents relating to or bearing upon the conduct of

the affairs of the association. He shall furnish a suitable surety bond to be prescribed and approved by the Farm Credit Administration for the proper performance of the duties imposed upon him under this chapter, which shall cover prompt collection and transmission of funds. He shall make a report to the Farm Credit Administration as required by it upon forms to be provided for that purpose. Upon request from said administration said secretary-treasurer shall furnish information regarding the condition of the national farm loan association for which he is acting, and he shall carry out all duly authorized orders of said administration. He shall assure himself from time to time that the loans made through the national farm loan association of which he is an officer are applied to the purposes set forth in the application of the borrower as approved, and shall forthwith report to the land bank of the district any failure of any borrower to comply with the terms of his application or mortgage. He shall also ascertain and report to said bank the amount of any delinquent taxes on land mortgaged to said bank and the name of the delinquent. No such secretary-treasurer shall engage in the making of land mortgage loans eligible at a Federal land bank through or for any other land mortgage company or agency, and the making of any such loan by any secretary-treasurer shall forthwith work a forfeiture of his office. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365; Mar. 4, 1923, ch. 252, title III, § 305, 42 Stat. 1476; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 11, 1955, ch. 785, title III, § 301 (b), 69 Stat. 664.*)

12 U. S. C. § 715

F. F. L. Act § 7

Expenses and salaries; payment from general funds; assessments

The reasonable expenses of the secretary-treasurer, the loan committee, and other officers and agents of national farm loan associations, and the salary of the secretary-treasurer, shall be paid from the general funds of the association, and the board of directors is authorized to set aside such sums as it shall deem requisite for that purpose and for other expenses of said association. When no such funds are available, the board of directors may levy an assessment on members in proportion to the amount of stock held by each, which may be repaid as soon as funds are available, or it may secure an advance from the Federal land bank of the district, to be repaid with interest at the rate of six per centum per annum, from dividends belonging to the said association. Said Federal land bank is authorized to make such advance and to deduct such repayment. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365.*)

12 U. S. C. § 716**F. F. L. Act § 7****Number of incorporators; organization; directors; secretary-treasurer**

Ten or more persons who are the owners, or about to become the owners, of farm lands qualified as security for a mortgage loan under sections 771 and 772 of this title, may unite to form a national farm loan association. They shall organize subject to the requirements and the conditions specified in sections 672, 673—677a, and 711—723 of this title, so far as the same may be applicable: *Provided*, That the board of directors may consist of five members only, and instead of a secretary and a treasurer there shall be a secretary-treasurer, who need not be a shareholder of the association. As used in this section, the term “person” includes an individual, an incorporated association, and a corporation which is eligible for a loan under sections 771 and 772 of this title. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365; June 3, 1935, ch. 164, § 19 (a), (b), 49 Stat. 319.*)

12 U. S. C. § 717**F. F. L. Act § 7****Report and affidavit accompanying articles of association**

When the articles of association are forwarded to the Federal land bank of the district as provided in sections 711—723 of this title, they shall be accompanied by the written report of the loan committee as required in section 751 of this title, and by an affidavit stating that each of the subscribers is the owner, or is about to become the owner, of farm land qualified under section 771 of this title as the basis of a mortgage loan; that the loan desired by each person is not more than \$10,000, nor less than \$100, and that the aggregate of the desired loans is not less than \$20,000; that said affidavit is accompanied by a subscription to stock in the Federal land bank equal to 5 per centum of the aggregate sum desired on mortgage loans; and that a temporary organization of said association has been formed by the election of a board of directors, a loan committee, and a secretary-treasurer who subscribes to said affidavit, giving his residence and post-office address. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365.*)

In the view of the Farm Credit Administration, the maximum limitation stated in section 717 is to be considered increased to the maximum amount of loan which may be made to any one borrower, as to which see section 771 (Seventh) of this title.

12 U. S. C. § 718**F. F. L. Act § 7****Investigation of solvency
of applications for incorporation**

Upon receipt of such articles of association, with the accompanying affidavit and stock subscription, the directors of said Federal land bank shall send an appraiser to investigate the solvency and character of the applicants and the value of their lands, and shall then determine whether in their judgment a charter should be granted to such association. They shall forward such articles of association and the accompanying affidavit to the Farm Credit Administration with their recommendation. If said recommendation is unfavorable, the charter shall be refused. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 719**F. F. L. Act § 7****Grant or refusal of charter; modification**

If said recommendation is favorable, the Farm Credit Administration shall thereupon grant a charter to the applicants therefor, designating the territory in which such association may make loans, and shall forward said charter to said applicants through said Federal land bank: *Provided*, That said Farm Credit Administration may for good cause shown in any case refuse to grant a charter. The boundaries of the territory designated in the charter of any national farm loan association may be readjusted from time to time to meet the farm loan needs of the locality, as determined by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 8, 50 Stat. 707.*)

12 U. S. C. § 720**F. F. L. Act § 7****Authorization to receive funds
to be loaned to members**

Upon receipt of its charter such national farm loan association shall be authorized and empowered to receive from the Federal land bank of the district sums to be loaned to its members under the terms and conditions of this subchapter. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365.*)

12 U. S. C. § 721**F. F. L. Act § 7****Securing loans for members; subscriptions
to stock of land bank as collateral;
retirement of stock**

Whenever any national farm loan association shall desire to secure for any member a loan on first mortgage from the Federal land bank of its district it shall subscribe for capital stock of said land bank to

the amount of 5 per centum of such loan, such subscription to be paid in cash upon the granting of the loan by said land bank. Such capital stock shall be held by said land bank as collateral security for the payment of said loan, but said association shall be paid any dividends accruing and payable on said capital stock while it is outstanding. Such stock may, in the discretion of the directors, and with the approval of the Farm Credit Administration, be paid off at par and retired, and it shall be so paid off and retired upon full payment of the mortgage loan. In such case the national farm loan association shall pay off at par and retire the corresponding shares of its stock which were issued when said land bank stock was issued. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 722**F. F. L. Act § 7****Federal land banks; limitation
on reduction of capital stock**

The capital stock of a Federal land bank shall not be reduced to an amount less than five per centum of the principal of the outstanding farm loan bonds issued by it. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365.*)

12 U. S. C. § 723**F. F. L. Act § 7****Federal land banks; direct loans—****(a) Authorization to make direct loans;
provisions relative to loans through associations,
applicable to direct loans**

Whenever it shall appear to the Land Bank Commissioner that national farm loan associations have not been formed in any locality, or that the farmers residing in the territory covered by the charter of a national farm loan association are unable to apply to the Federal land bank of the district for loans on account of the inability of the bank to accept applications from such association, the Land Bank Commissioner shall authorize said bank to make direct loans to borrowers secured by first mortgages on farm lands situated within any such locality or territory. Except as herein otherwise specifically provided, all provisions of this chapter applicable with respect to loans made through national farm loan associations shall, insofar as practicable, apply with respect to such direct loans, and the Land Bank Commissioner is authorized to make such rules and regulations as he may deem necessary with respect to such direct loans.

(b) Interest rate

The rate of interest on such direct loans made at any time by any Federal land bank shall be one-half of 1 per centum per annum in

excess of the rate of interest charged to borrowers on mortgage loans made at such time by the bank through national farm loan associations.

(c) Subscription to stock; retirement of stock

Each borrower who obtains a direct loan from a Federal land bank shall subscribe and pay for stock in such bank in the sum of \$5 for each \$100 or fraction thereof borrowed. Such stock shall be held by such Federal land bank as collateral security for the loan of the borrower and shall participate in all dividends. Upon full payment of the loan such stock shall, if still outstanding, be canceled at par, or, in the event that such stock shall have become impaired, at the estimated value thereof as approved by the Land Bank Commissioner, and the proceeds thereof shall be paid to the borrower. Any borrower's interest in such stock may be transferred or hypothecated, by him or by operation of law, to the Federal Farm Mortgage Corporation.

(d) Organization of national farm loan association by direct borrowers

Each such borrower may covenant in his mortgage that, whenever there are ten or more borrowers who have obtained from a Federal land bank direct loans under the provisions of this section aggregating not less than \$20,000, and who reside in a locality which may, in the opinion of the Land Bank Commissioner, be conveniently covered by the charter of and served by a national farm loan association, he will unite with such other borrowers to form a national farm loan association. Such borrowers shall organize the association subject to the requirements and the conditions specified in sections 711—723 of this title, so far as the same may be applicable, and in accordance with rules and regulations of the Land Bank Commissioner. As soon as the organization of the association has been approved by the Land Bank Commissioner, the stock in the Federal land bank held by each of the members of such association shall be canceled at par, and in lieu thereof the bank shall issue in the name of the association an equal amount of stock in said bank, which stock shall be held by said bank as collateral security as provided in sections 711—723 of this title with respect to other loans through national farm loan associations. Thereupon there shall be issued to each such member an amount of capital stock in the association equal to the amount which he previously held in said bank, which stock shall be held by said association as collateral security as provided in section 733 of this title. The board of directors of said association shall adopt a resolution authorizing and directing its secretary-treasurer on behalf of said association to endorse, and thereby become liable for the payment of, the mortgages taken from its charter members by the Federal land bank. When it shall appear to the satis-

faction of the Land Bank Commissioner that all the foregoing conditions have been complied with, and upon the granting of the charter by the Land Bank Commissioner, the interest rate paid by each charter member of such association whose loan is in good standing shall, beginning with his next regular installment date, be reduced to the rate of interest paid by borrowers on new loans made through national farm loan associations in the same farm credit district at the time the said loan was made to such charter member.

(e) Charges to applicants and borrowers

Charges to be paid by applicants for direct loans from a Federal land bank shall not exceed amounts to be fixed by the Land Bank Commissioner and shall in no case exceed the charges which may be made to applicants for loans and borrowers through national farm loan associations under the provisions of sections 761 and 781 of this title.

(f) Option to make loan in bonds

Direct loans made under subsections (a)—(e) of this section, may, at the option of the Federal land bank, be made in bonds of the Federal Farm Mortgage Corporation. (*July 17, 1916, ch. 245, § 7, 39 Stat. 365; Mar. 4, 1933, ch. 270, § 1, 47 Stat. 1547; May 12, 1933, ch. 25, title II, § 26, 48 Stat. 44; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273; Jan. 31, 1934, ch. 7, § 6, 48 Stat. 346; Aug. 19, 1937, ch. 704, §§ 5 (a), 22, 50 Stat. 704, 710; Oct. 29, 1949, ch. 786, § 1 (b), 63 Stat. 986.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 724

F. C. Act 1937 § 25 (b)

Loans when association's stock is impaired—

(a) Authorization; interest; admission to membership of borrowers under section 723

Whenever it shall appear that the capital stock of a national farm loan association is impaired, the Farm Credit Administration may authorize the Federal land bank of the district in which such association is located to make loans to applicants through such association subject to the requirements and conditions specified for direct loans in section 723 of this title, except as otherwise specifically provided in this section, and may authorize such association to elect to membership borrowers having loans made pursuant to said section on lands situated within the chartered territory of the association. Borrowers admitted to membership in the association pursuant hereto shall be entitled to vote and hold office in the association and the rate of interest on their loans shall be one-fourth of 1 per centum per annum less than the rate of interest

provided at such time for direct loans. The association shall endorse all such mortgage loans but it shall not become liable therefor except as hereinafter provided.

**(b) Effect of admission of ten borrowers
with loans in good standing aggregating \$20,000**

When there are ten or more borrowers admitted to membership in an association pursuant to this section whose loans are in good standing, as defined by the Farm Credit Administration, and aggregate not less than \$20,000:

First. *Liability of association and members.*—The association shall become liable for the payment of said loans: *Provided, however,* That any other provisions of law to the contrary notwithstanding, the shareholders who have become members pursuant to this section shall not be held responsible, through the amount paid in and represented by their shares or otherwise, for any contracts, debts, or engagements of the association entered into before the date on which the first member was admitted to the association pursuant to this section and the shareholders of such association who were members prior to said date shall not be held responsible, through the amount paid in and represented by their shares or otherwise, for any mortgages endorsed by such association on or after said date, but this provision shall not be construed to relieve any other liability with respect to stock held by shareholders who were members prior to said date.

Second. *Reduction of interest rate.*—The interest rate paid by each such borrower on each such loan shall, beginning with the next regular installment date, be reduced one-fourth of 1 per centum per annum.

Third. *Exchange of Federal land bank stock for association stock.*—The stock in the Federal land bank held by each of said borrowers shall be exchanged for association stock in the manner provided for in section 723 (d) of this title.

Fourth. *Admission of new members.*—The association may thereafter admit new members, endorse their loans, and become liable for the payment of such loans as provided in paragraph “First” of this section.

Fifth. *Election of loan committee.*—At the next annual meeting of stockholders, and thereafter, the loan committee of such association may be elected by the members who become stockholders pursuant to this section and any loan committee so elected shall have the powers specified for loan committees elected as provided in section 747 of this title: *Provided, however,* That in the event such stockholders fail to elect the loan committee, new members shall be admitted to the association as otherwise provided in this chapter.

Sixth. *Records and accounts; dividends.*—In accordance with rules and regulations prescribed by the Farm Credit Administration, the as-

sociation shall maintain separate capital-stock records; shall keep all capital losses or gains, reserves (including legal reserves), and dividends received from the Federal land bank on stock owned by the association in connection with loans for which it becomes liable as provided in this section separate and apart from capital losses or gains, reserves (including legal reserves), and dividends received from the Federal land bank on stock owned by the association in connection with other loans of the association; and shall segregate any undivided profits of the association resulting from its business operations in like manner when so required by rules and regulations of the Farm Credit Administration. Subject to the other provisions of this chapter with respect to the declaration of dividends, dividends may be declared exclusively on association stock owned by borrowers with loans for which the association becomes liable as provided in this section or exclusively on association stock owned by borrowers with other loans through the association.

(c) Same; effect of loan not in good standing

If the loan of any borrower who was admitted to membership pursuant to this section is not in good standing at the time when there are ten or more borrowers with loans aggregating not less than \$20,000 which are in good standing, the provisions of paragraphs "First", "Second", and "Third" of this section shall be applicable to his loan at such time as it shall be placed in good standing.

(d) Removal of impairment of stock

If and when all impairment is removed in the stock owned by shareholders with loans which were made prior to the date on which the first member was admitted to the association pursuant to this section, the holders of such stock and the holders of stock issued on and after said date may, pursuant to rules and regulations of the Farm Credit Administration and consistent with the provisions of this chapter, agree as to the rights, powers, privileges, duties, and liabilities which shall thenceforth attach to their respective shares of stock and otherwise agree as to the future applicability, if any, of the special provisions contained in this section. (*Aug. 19, 1937, ch. 704, § 25 (b), 50 Stat. 711.*)

Capital Stock of National Farm Loan Associations

12 U. S. C. § 731

F. F. L. Act § 8

Par value of shares

The shares in national farm loan associations shall be of the par value of \$5 each. (*July 17, 1916, ch. 245, § 8, 39 Stat. 367.*)

12 U. S. C. § 732**F. F. L. Act § 8****Voting privileges**

Effective thirty days after August 19, 1937, every shareholder shall be entitled to one vote, and no more, at all elections of directors and in deciding all questions at meetings of shareholders. (*July 17, 1916, ch. 245, § 8, 39 Stat. 367; Aug. 9, 1937, ch. 704, § 23, 50 Stat. 710.*)

12 U. S. C. § 733**F. F. L. Act § 8**

Borrowers only to be members; application for membership; subscription to stock in association; stock held as collateral; retirement of stock

No persons but borrowers on farm land mortgages shall be members or shareholders of national farm loan associations. Any person desiring to borrow on farm land mortgage through a national farm loan association shall make application for membership and shall subscribe for shares of stock in such farm loan association to an amount equal to 5 per centum of the face of the desired loan, said subscription to be paid in cash upon the granting of the loan. If the application for membership is accepted and the loan is granted, the applicant shall, upon full payment therefor, become the owner of one share of capital stock in said loan association for each \$100 of the face of his loan, or any major fractional part thereof. Said capital stock shall be paid off at par and retired upon full payment of said loan. Said capital stock shall be held by said association as collateral security for the payment of said loan, but said borrower shall be paid any dividends accruing and payable on said capital stock while it is outstanding. (*July 17, 1916, ch. 245, § 8, 39 Stat. 367.*)

12 U. S. C. § 734**F. F. L. Act § 8****Increase of stock**

Every national farm loan association formed under this chapter shall by its articles of association provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members and providing for the issue of shares to borrowers in accordance with the provisions of this chapter. (*July 17, 1916, ch. 245, § 8, 39 Stat. 367; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 11, 1955, ch. 785, title III, § 301 (c), 69 Stat. 664.*)

National Farm Loan Associations; Special Provisions

12 U. S. C. § 741**F. F. L. Act § 9****Right of members to loans**

Any person whose application for membership is accepted by a national farm loan association shall be entitled to borrow money on farm

land mortgage upon filing his application in accordance with section 733 of this title and otherwise complying with the terms of this chapter whenever the Federal land bank of the district has funds available for that purpose, unless said land bank or the Farm Credit Administration shall, in its discretion, otherwise determine. (*July 17, 1916, ch. 245, § 9, 39 Stat. 368; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 742**F. F. L. Act § 9****Payment for stock from proceeds
of member's mortgage loan**

Any person desiring to secure a loan through a national farm loan association under the provisions of this chapter may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the national farm loan association, such sum to be made a part of the face of the loan and paid off in amortization payments: *Provided, however,* That such addition to the loan shall not be permitted to increase said loan above the limitation imposed in subsection fifth of section 771 of this title. (*July 17, 1916, ch. 245, § 9, 39 Stat. 368.*)

12 U. S. C. § 743**F. F. L. Act § 9****Commissions on interest payments;
deduction from dividends; loans by land banks
to associations; rate of interest**

Subject to rules and regulations prescribed by the Farm Credit Administration, any national farm loan association shall be entitled to retain as a commission from each interest payment on any loan indorsed by it an amount to be determined by said administration not to exceed one-eighth of 1 per centum semiannually upon the unpaid principal of said loan, any amounts so retained as commissions to be deducted from dividends payable to such farm loan association by the Federal land bank, and to make application to the land bank of the district for loans not exceeding in the aggregate one-fourth of its total stockholdings in said land bank. The Federal land banks shall have power to make such loans to associations applying therefor and to charge interest at a rate not exceeding 6 per centum per annum. (*July 17, 1916, ch. 245, § 9, 39 Stat. 368; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 744**F. F. L. Act § 9****Individual liability of shareholders**

Shareholders of every national farm loan association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association to the

extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (*July 17, 1916, ch. 245, § 9, 39 Stat. 368.*)

12 U. S. C. § 744a

F. C. Act 1933 § 72

Same; contract liability after June 16, 1933

Notwithstanding the provisions of section 744 of this title, the shareholders of national farm loan associations shall not be held individually responsible for any contract, debt, or engagement of such association entered into after June 16, 1933, but this section shall not be construed to relieve any other liability with respect to stock held by such shareholders. (*June 16, 1933, ch. 98, title VII, § 72, 48 Stat. 271.*)

12 U. S. C. § 745

F. F. L. Act § 9

New members

After a charter has been granted to a national farm loan association, any person who is the owner, or about to become the owner, of farm land qualified under section 771 of this title as the basis of a mortgage loan, and who desires to borrow on a mortgage of such farm land, may become a member of the association by a majority vote of the directors, or by the loan committee where said committee has been empowered to elect applicants to membership, and upon subscribing for one share of the capital stock of such association for each \$100 of the face of his proposed loan or any major fractional part thereof. He shall at the same time file with the secretary-treasurer his application for a mortgage loan, giving the particulars required by section 771 of this title. As used in this section, the term "person" includes an individual, an incorporated association, and a corporation which is eligible for a loan under section 771 of this title. (*July 17, 1916, ch. 245, § 9, 39 Stat. 368; June 3, 1935, ch. 164, § 20, 49 Stat. 319; Aug. 19, 1937, ch. 704, § 24, 50 Stat. 710; June 30, 1945, ch. 204, § 1 (b), 59 Stat. 266.*)

12 U. S. C. § 746

F. F. L. Act § 9

**Common board of directors
for two or more associations**

Any other provisions of law to the contrary notwithstanding, two or more national farm loan associations may with the approval of the Farm Credit Administration, and by an agreement not inconsistent with any rules and regulations prescribed by the said Administration, provide for a common board of directors to be elected by the shareholders of the associations that are parties to the agreement: *Provided, however,* That each member of any such board shall be a shareholder

in an association that is a party to the agreement and shall be a bona fide resident of the territory within which such association is authorized to do business: *And provided further*, That no such agreement shall provide for a term of office in excess of three years for any member of such board. The number of members of the common board of directors shall be specified in the agreement and shall be five or more. The agreement may provide that any director may be elected by the shareholders of one or more of the associations which are parties to the agreement; that in the balloting for any director an association may vote at a separate meeting of its shareholders or at a joint meeting with the shareholders of any other association or associations participating in the election of the director; and that the candidate receiving the highest aggregate number of votes at such meeting or meetings shall be declared elected. Whenever two or more national farm loan associations have entered into such an agreement, the members of the common board of directors provided for in the agreement shall be ex officio the members of the board of directors of each association that is a party to the agreement, any provisions of this chapter to the contrary notwithstanding. (*July 17, 1916, ch. 245, § 9 (par.), as added Aug. 19, 1937, ch. 704, § 25 (a), 50 Stat. 710.*)

12 U. S. C. § 747**F. F. L. Act § 9****Same; transfer of powers to loan committee**

Whenever a national farm loan association has entered into such an agreement, the power of approving applications for loans through the association and the power of admitting persons to membership in the association shall be vested in the loan committee of the association in lieu of being vested in its board of directors. The loan committee of any such association shall be elected annually by the shareholders of the association, instead of by its board of directors, and the shareholders shall in addition annually elect two alternates to serve as members of the loan committee at such times as regular members may be absent or disqualified. (*July 17, 1916, ch. 245, § 9 (par.), as added Aug. 19, 1937, ch. 704, § 25 (a), 50 Stat. 711.*)

Appraisal for Farm Loans**12 U. S. C. § 751****F. F. L. Act § 10**

**Investigation by loan committee; report
by appraiser; report and approval by committee;
notification to applicant**

Whenever an application for a mortgage loan is made to a national farm loan association, the loan committee provided for in section 712 of this title shall forthwith make, or cause to be made, such investigation

as it may deem necessary as to the character and solvency of the applicant, and the sufficiency of the security offered. The committee may request a report on the value of the security by a land bank appraiser appointed under the authority of section 656 of this title, in which event such an appraiser shall investigate and make a written report to the association upon the security offered. The committee shall cause written report to be made of the results of such investigation or investigations as it has required to be made and shall, if it concurs in such report, approve the same in writing. No loan shall be made unless the report of the committee is favorable. After the investigation required in this section has been made, the association has requested and received a report upon the value of the security by a land bank appraiser, and the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser the secretary-treasurer may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank. (*July 17, 1916, ch. 245, § 10, 39 Stat. 369; Apr. 20, 1920, ch. 154, § 2, 41 Stat. 570; June 30, 1945, ch. 204, § 2, 59 Stat. 266.*)

12 U. S. C. § 752

F. F. L. Act § 10

Submission of loan application and required reports to land bank; consideration by bank

The written report required in section 751 of this title, together with any report made by a land bank appraiser, shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said written report when it passes on the loan application which it accompanies, but it shall not be bound by the value placed upon the property by the loan committee. (*July 17, 1916, ch. 245, § 10, 39 Stat. 369; Apr. 20, 1920, ch. 154, § 2, 41 Stat. 570; June 30, 1945, ch. 204, § 2, 59 Stat. 266.*)

12 U. S. C. § 753

F. F. L. Act § 10

Requirement for appraisal of land offered as security before making land bank loan

Before any mortgage loan is made by any Federal land bank, or joint stock land bank, it shall refer the application to one or more of the land bank appraisers appointed under the authority of section 656 of this title, and such appraiser or appraisers shall investigate and make a written report on the security offered for said loan: *Provided*, That if

a land bank appraiser has made a report on said security to the national farm loan association, the Federal land bank need not request an additional report. No such loan shall be made by said land bank unless the written report of the land bank appraiser is favorable. (*July 17, 1916, ch. 245, § 10, 39 Stat. 369; June 30, 1945, ch. 204, § 2, 59 Stat. 266.*)

12 U. S. C. § 754**F. F. L. Act § 10****Forms for reports**

Forms for appraisal reports for farm loan associations and land banks shall be prescribed by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 10, 39 Stat. 369; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 755**F. F. L. Act § 10****Examinations by land bank appraisers
as to farm loan bonds and first mortgages**

Land bank appraisers shall make such examinations and appraisals and conduct such investigations, concerning farm loan bonds and first mortgages, as the Farm Credit Administration shall direct. (*July 17, 1916, ch. 245, § 10, 39 Stat. 369; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 756**F. F. L. Act § 10****Borrower ineligible as land bank appraiser;
association director or committeeman
disqualified by interest in loan**

No borrower under this subchapter shall be eligible as an appraiser under sections 751—756 of this title, but borrowers may act as members of a loan committee in any case where they are not personally interested in the loan under consideration. When any member of a loan committee or of a board of directors is interested, directly or indirectly, in a loan, a majority of the board of directors of any national farm loan association shall appoint a substitute to act in his place in passing upon such loan. (*July 17, 1916, ch. 245, § 10, 39 Stat. 369.*)

12 U. S. C. § 757**F. F. L. Act § 10****Appraisals by land bank designees;
report on security by land bank appraisers;
loan as collateral**

Notwithstanding any other provision of this Act to the contrary, subject to the approval of the Farm Credit Administration, the investigation and the written report or reports on the value of the security offered for a Federal land bank loan, which otherwise are required by this section and sections 751—756 of this title to be made by land bank appraisers appointed under the authority of sections 651, 656, and 658—664 of

this title, may be made, in accordance with appraisal standards prescribed by the Farm Credit Administration, by any person (including a person who is secretary-treasurer of a national farm loan association) designated so to do by the Federal land bank of the district; a Federal land bank is authorized to make a loan, if otherwise authorized, on the basis of such an investigation and report by a person so designated; and a loan so made shall be eligible as collateral for farm loan bonds under sections 851—857 of this title, if otherwise qualified thereunder: *Provided*, That, within one year, the land bank shall obtain a written report on the security for the loan by a land bank appraiser appointed under sections 651, 656, and 658—664 of this title, in terms and form prescribed by the Farm Credit Administration, and such a loan shall be eligible as collateral for farm loan bonds thereafter only if such report by a land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan, and in no event shall any such loan thereafter be carried as such collateral for bonds at more than 65 per centum of the normal value of the security as determined by such land bank appraiser. Except as otherwise specifically provided in this section, all provisions of this Act relating to loans made through national farm loan associations shall, insofar as applicable, apply with respect to loans made on such investigations and written reports by such designated persons. (*July 17, 1916, ch. 245, § 10 (pt.), as added Aug. 11, 1955, ch. 785, title III, § 303, 69 Stat. 664.*)

Powers of National Farm Loan Associations

12 U. S. C. § 761

F. F. L. Act § 11

Enumerated powers

Every national farm loan association shall have power:

First. *Indorsing mortgages*.—To indorse, and thereby become liable for the payment of, mortgages taken from its shareholders by the Federal land bank of its district.

Second. *Receiving advances from banks and loaning to shareholders*.—To receive from the Federal land bank of its district funds advanced by said land bank, and to deliver said funds to its shareholders on receipt of first mortgages qualified under section 771 of this title.

Third. *Fixing charges for applications for loans*.—To fix reasonable initial charges to be made against applicants for loans and to borrowers in order to meet the necessary expenses of the association: *Provided*, That such charges shall not exceed amounts to be fixed by the Farm Credit Administration, and shall in no case exceed 1 per centum of the amount of the loan applied for; to acquire and dispose of property, real and personal, that may be necessary or convenient for the transaction of its business.

Fourth. *Issuing interest-bearing certificates against deposits of current funds.*—To issue certificates against deposits of current funds bearing interest for not longer than one year at not to exceed 4 per centum per annum after six days from date, convertible into farm loan bonds when presented at the Federal land bank of the district in the amount of \$25 or any multiple thereof. Such deposits, when received, shall be forthwith transmitted to said land bank, and be invested by it in the purchase of farm loan bonds issued by a Federal land bank or in first mortgages as defined by this subchapter.

Fifth. *Collections by one association for another.*—Whenever a Federal land bank shall have empowered any national farm loan association of its district to collect and pay over to said bank the dues, interest, amortization installments, and other sums payable under the terms, conditions, and covenants of the mortgages taken from its shareholders, such association may, with the approval of said bank, enter into an agreement with another association operating in the same or adjacent territory to make such collections, for and on behalf of the association thus empowered to do so, on any or all of said loans, and immediately pay the amounts so collected to said land bank. Such agreements shall be made upon such terms and conditions and for such consideration as may be approved by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 11, 39 Stat. 369; Apr. 20, 1920, ch. 154, § 3, 41 Stat. 570; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 25 (c), 50 Stat. 713.*)

Restrictions on Loans of Federal Land Banks Based on First Mortgages

12 U. S. C. § 771

F. F. L. Act § 12

Restrictions enumerated

No Federal land bank organized under this chapter shall make loans except upon the following terms and conditions:

First. *Security by first mortgage.*—Said loans shall be secured by duly recorded first mortgages on farm land within the farm credit district in which the bank is situated.

Second. *Agreement for repayment on amortization plan.*—Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover, first, a charge on the loan at a rate not exceeding the interest rate in the last series of farm-loan bonds issued by the land bank making the loan; second, a charge for administration and profits at a rate not exceeding, except with the approval of the Governor of the Farm Credit Administration, 1 per centum

per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will extinguish the debt within an agreed period, not less than five years nor more than forty years: *Provided*, That after five years from the date upon which a loan is made the mortgagor may, upon any regular installment date, make in advance any number of payments or any portion thereof on account of the principal of his loan as provided by his contract or pay the entire principal of such loan, under the rules and regulations of the Farm Credit Administration: *And provided further*, That under the rules and regulations of the Farm Credit Administration any land bank may agree, at the time a loan is made or thereafter, that the mortgagor may make such payments or portions of payments in advance or pay the entire principal of such loan during the first five years the loan is in effect: *And provided further*, That before the first issues of farm loan bonds by any land bank the interest rate on mortgages may be determined in the discretion of said land bank, subject to the provisions and limitations of this subchapter.

Third. *Maximum interest rate.*—No loan on mortgage shall be made under this subchapter at a rate of interest exceeding 6 per centum per annum, exclusive of amortization payments.

Fourth. *Purposes of loans.*—Such loans may be made for general agricultural purposes and other requirements of the owner of the land mortgaged, under rules and regulations of the Farm Credit Administration.

Fifth. *Limitation on amount of loans; appraisal; reappraisal.*—No such loan shall exceed 65 per centum of the normal value of the farm mortgaged, said value to be ascertained by appraisal, as provided in sections 751–756 of this title. In making said appraisal the value of the farm for agricultural purposes shall be the basis of appraisal and the normal earning power of said farm shall be a principal factor; and, consistent with community standards, the appraisal may also reflect home advantages, and the availability to a typical operator of the property of earnings from other dependable sources to supplement the normal earning power of the farm.

In making loans to owners of groves and orchards, including citrus fruit groves and other fruit groves and orchards, the Federal land banks, the farm land banks, and all Government agencies making loans upon such character of property may, in appraising the property offered as security, give a reasonable and fair valuation to the fruit trees located and growing upon said property and constituting a substantial part of its value. In determining the earning power of land used for the raising of livestock, due consideration shall be given to the extent to which the earning power of the fee-owned land is augmented by a lease or permit, granted by lawful authority of the United States or of any State, for

the use of a portion of the public lands of the United States or of such State, where such permit or lease is in the nature of a right adjunctive to such fee-owned land, and its availability for use as such during the terms of the loan is reasonably assured.

A reappraisal may be permitted at any time in the discretion of the Federal land bank, and such additional loan may be granted as such reappraisal will warrant under the provisions of this paragraph. Whenever the amount of the loan applied for exceeds the amount that may be loaned under the appraisal as herein limited, such loan may be granted to the amount permitted under the terms of this paragraph without requiring a new application or appraisal.

Sixth. *Restrictions on eligibility for loans; assumption of mortgage and stock interests by purchaser of land or heir.*—No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option, within sixty days of such death, to assume the mortgage and stock interests of the deceased. As used in this paragraph (1) the term “person” includes an individual or a corporation engaged in farming operations; and (2) the term “corporation” includes any incorporated association; but no such loan shall be made to a corporation (A) unless all the stock of the corporation is owned by individuals themselves personally actually engaged in farming operations on the farm to be mortgaged as security for the loan, except in a case where the Farm Credit Administration permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for.

Seventh. *Maximum and minimum of loans.*—The amount of loans to any one borrower shall in no case exceed a maximum of \$200,000, but loans to any one borrower shall not exceed \$100,000 unless approved by the Farm Credit Administration, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under.

Eighth. *Form of applications for loans.*—Every applicant for a loan under the terms of this subchapter shall make application on a form

to be prescribed for that purpose by the Farm Credit Administration, and such applicant shall state the objects to which the proceeds of said loan are to be applied, and shall afford such other information as may be required.

Ninth. *Interest on defaulted payments; payment of taxes and liens; insurance.*—Every borrower shall pay simple interest on defaulted payments at a rate not exceeding 6 per centum per annum, and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear simple interest at a rate not exceeding 6 per centum per annum. Every borrower shall undertake to keep insured to the satisfaction of the Farm Credit Administration all buildings the value of which was a factor in determining the amount of the loan. Insurance shall be made payable to the mortgagee as its interest may appear at time of loss, and at the option of the mortgagor and subject to general regulations of the Farm Credit Administration, sums so received may be used to pay for reconstruction of the buildings destroyed.

Tenth. *Agreement by borrowers as to use of loans.*—Every borrower who shall be granted a loan under the provisions of this subchapter shall enter into an agreement, in form and under conditions to be prescribed by the Farm Credit Administration, that if the whole or any portion of his loan shall be expended for purposes other than those specified in his original application, or if the borrower shall be in default in respect to any condition or covenant of the mortgage, the whole of said loan shall, at the option of the mortgagee, become due and payable forthwith: *Provided*, That the borrower may use part of said loan to pay for his stock in the farm loan association, and the land bank holding such mortgage may permit said loan to be used for any purpose specified in subsection fourth of this section.

Eleventh. *Loans not invalidated by unauthorized acts by banks or associations.*—No loan or the mortgage securing the same shall be impaired or invalidated by reason of the exercise of any power by any Federal land bank or national farm loan association in excess of the powers herein granted or any limitations thereon.

Twelfth. *Reduction of interest on loans and deferment of principal.*—Notwithstanding the provisions of subsection second of this section, the rate of interest on any loans on mortgage made through national farm loan associations or through agents as provided in sections 801—808 of this title, or purchased from joint stock land banks, by any Federal land bank, outstanding on May 12, 1933, or made through national farm loan associations after such date, shall not exceed $3\frac{1}{2}$ per centum

per annum for all interest payable on installment dates occurring within a period of nine years commencing July 1, 1935; and no payment of the principal portion of any installment of any such loan outstanding on June 3, 1935, shall be required prior to July 11, 1938, if the borrower shall not be in default with respect to any other condition or covenant of his mortgage. The foregoing provisions shall apply to loans made by Federal land banks through branches, except that the rates of interest paid for the respective periods above specified shall be one-half of 1 per centum per annum in excess of the rates of interest paid during the corresponding periods by borrowers on mortgage loans made through national farm loan associations. The foregoing provisions shall also apply to interest on so-called purchase-money mortgages and on real estate sales contracts taken by the Federal land banks which is payable on installment dates occurring after June 30, 1942, except that in the case of such mortgages and contracts the rate of interest shall be one-half of 1 per centum per annum in excess of the rate paid by borrowers on mortgage loans made through national farm loan associations. The Secretary of the Treasury shall pay each Federal land bank, as soon as practicable after October 1, 1933, and after the end of each quarter thereafter, such amount as the Land Bank Commissioner certifies to the Secretary of the Treasury is equal to the amount by which interest payments on mortgages held by such bank have been reduced, during the preceding quarter, by reason of this paragraph; but in any case in which the Land Bank Commissioner finds that the amount of interest payable by such bank during any quarter has been reduced by reason of the refinancing of bonds under section 992 of this title, the amount of the reduction so found shall be deducted from the amount payable to such bank under this paragraph. No payments shall be made to a bank with respect to any period after June 30, 1944. There is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$15,000,000 for the purpose of enabling the Secretary of the Treasury to make payments to Federal land banks which accrue during the fiscal year ending June 30, 1934, and such additional amounts as may be necessary to make payments accruing during subsequent fiscal years. (*July 17, 1916, ch. 245, § 12, 39 Stat. 370; Apr. 20, 1920, ch. 154, § 4, 41 Stat. 570; Mar. 4, 1923, ch. 252, title III, §§ 306, 307, 42 Stat. 1476; Mar. 4, 1933, ch. 270, § 2, 47 Stat. 1547; Ex. Ord. No. 6084, Mar. 27, 1933; May 12, 1933, ch. 25, title II, §§ 24, 25, 41, 48 Stat. 43, 44, 51; June 16, 1933, ch. 98, title VII, §§ 73, 74, title VIII, § 80 (a), 48 Stat. 271, 273; June 3, 1935, ch. 164, §§ 3, 18, 22, 49 Stat. 314, 319; June 24, 1936, ch. 762, 49 Stat. 1912; July 22, 1937, ch. 516, § 1, 50 Stat. 521; Aug. 19, 1937, ch. 704, §§ 5 (a), 12, 50 Stat. 704, 708; June 16, 1938, ch. 462, § 1, 52 Stat. 709; June 29, 1940, ch. 441, § 1, 54 Stat. 684; June 27, 1942, ch. 449,*

§ 1, 56 Stat. 391; June 30, 1945, ch. 204, § 4, 59 Stat. 267; Oct. 29, 1949, ch. 786, § 2, 63 Stat. 986; Aug. 11, 1955, ch. 785, title III, § 304, 69 Stat. 664.)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 772

F. F. L. Act § 12

Loans to be in current funds, bonds of corporation, or farm loan bonds

Amounts transmitted to farm loan associations by Federal land banks to be loaned to its members shall, at the option of the bank, be in current funds or Federal Farm Mortgage Corporation bonds, or, at the option of the borrower, in farm loan bonds. (*July 17, 1916, ch. 245, § 12, 39 Stat. 370; Jan. 31, 1934, ch. 7, § 7, 48 Stat. 346.*)

12 U. S. C. § 773

Mortgages on farm lands under United States reclamation projects

The term "first mortgage," as used in section 771 of this title, shall be construed to include mortgages on farm lands under United States reclamation projects, notwithstanding there may be against such lands a reserved or created lien in favor of the United States for construction or other charges as provided in sections 372, 373, 381, 383, 391, 392, 411, 416, 419, 421, 431, 432, 434, 439, 461, 491, 498 of Title 43, and acts amendatory thereof and supplementary thereto, known as the reclamation law: *Provided*, That such lands are otherwise eligible for loans under this chapter: *And provided further*, That the amount and date of maturity of such lien shall be given due consideration in fixing the value of such lands for loan purposes. (*May 15, 1922, ch. 190, § 3, 42 Stat. 542.*)

12 U. S. C. § 773a

Loans on lands in drainage, irrigation, or conservancy districts

The Farm Credit Administration, the Federal Farm Mortgage Corporation, the Federal land banks, the Land Bank Commissioner, and any lending or financing agency established by or under this chapter, are authorized to make loans or acquire mortgages on lands in any drainage, irrigation, or conservancy district, notwithstanding the existence of any prior lien or charge arising out of an assessment for special benefits made by such district, in any case where (1) such land is otherwise eligible for a loan, (2) such assessment is payable over a period of years, and (3) reasonable security exists for the repayment of the

loan, taking into consideration all facts and values, including the term and size of the loan, the integrity of the applicant, and the increased earning capacity of the lands arising from the improvements or benefits in respect of which the assessment was made. (*June 4, 1936, ch. 496, 49 Stat. 1461.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

Powers of Federal Land Banks Generally

12 U. S. C. § 781

F. F. L. Act § 13

Enumerated powers

Every Federal land bank shall have power, subject to the limitations and requirements of this subchapter—

First. *Issuing and selling farm loan bonds.*—To issue, subject to the approval of the Farm Credit Administration, and to sell farm loan bonds of the kinds authorized in this subchapter, to buy the same for its own account, and to retire the same at or before maturity.

Second. *Investing funds in first farm mortgages.*—To invest such funds as may be in its possession in the purchase of qualified first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting. In order to reduce and/or refinance farm mortgages, to invest such funds as may be in its possession in the purchase of first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting, or to exchange farm loan bonds for any duly recorded first mortgages on farm lands executed prior to May 12, 1933, at a price which shall not exceed in each individual case the amount of the unpaid principal of the mortgage on the date of such purchase or exchange, or 50 per centum of the normal value of the land mortgaged and 20 per centum of the value of the permanent insured improvements thereon as determined upon an appraisal made pursuant to this subchapter, whichever is the smaller: *Provided*, That any mortgagor whose mortgage is acquired by a Federal land bank under this paragraph shall be entitled to have his farm mortgage indebtedness refinanced in accordance with the provisions of sections 711—723 and 731—734 of this title on the basis of the amount paid by the bank for his mortgage.

Third. *Receipt and deposit of mortgages as collateral for bonds; collection of moneys payable under mortgages and bonds.*—To receive and to deposit in trust with the farm loan registrar for the district, to be by him held as collateral security for farm loan bonds, first mortgages upon farm land qualified under section 771 of this title, and to empower national farm loan associations, or duly authorized agents, to collect and

immediately pay over to said land banks the dues, interest, amortization installments and other sums payable under the terms, conditions, and covenants of the mortgages and of the bonds secured thereby.

Fourth. *Acquiring and disposing of property.*—To acquire and dispose of—

(a) Such property, real or personal, as may be necessary or convenient for the transaction of its business, which, however, may be in part leased to others for revenue purposes.

(b) Parcels of land acquired in satisfaction of debts or purchased at sales under judgments, decrees, or mortgages held by it. But no such bank shall hold title and possession of any real estate purchased or acquired to secure any debt due to it, for a longer period than five years, except with the special approval of the Farm Credit Administration in writing. Every such bank may carry real estate as an asset, for a period of not exceeding five years, at its normal value but not to exceed the amount of the bank's investment therein at the time of acquirement of such real estate.

Fifth. *Depositing securities and funds with reserve banks.*—To deposit its securities and its current funds subject to check, with any member bank of the Federal Reserve System, and to receive interest on the same as may be agreed.

Sixth. *Receiving deposits from associations.*—To accept deposits of securities or of current funds from national farm loan associations holding its shares, but to pay no interest on such deposits.

Seventh. *Borrowing money.*—To borrow money severally, or jointly and severally with one or more other Federal land banks, to give security therefor, and to pay interest thereon.

Eighth. *Buying and selling obligations of United States; purchasing notes and mortgages of Federal Farm Mortgage Corporation.*—To buy and sell United States Government obligations direct or fully guaranteed; and to purchase and acquire from the Federal Farm Mortgage Corporation notes and mortgages representing loans made by the Land Bank Commissioner pursuant to section 1016 of this title, upon farm property situated in the farm credit district in which said bank is located, and purchase money mortgages and contracts for the sale of farms held by the Federal Farm Mortgage Corporation in connection with the sale of farm property situated in such district: *Provided*, That no such note and mortgage, purchase-money mortgage, or contract shall be purchased pursuant hereto unless (1) the unpaid balance of the indebtedness represented or secured thereby, together with any indebtedness to the Federal land bank secured by a prior mortgage on the property, does not exceed 65 per centum of the normal value of the farm as determined upon appraisal made pursuant to this subchapter; (2) the borrower acquires such stock in a national farm loan association, in addition to any available stock which he may already own, as may be necessary to

constitute an amount equal to one share of stock for each \$100 of the unpaid balance of the indebtedness represented or secured by the note and mortgage, purchase-money mortgage, or contract being purchased and acquired, together with the indebtedness secured by any prior lien on the property in favor of the Federal land bank; (3) the national farm loan association in which such stock is held elects the borrower to membership, if not already a member, and agrees to be liable for the indebtedness secured by the note and mortgage, purchase-money mortgage, or contract being purchased and acquired; and (4) the land bank takes such action, if any, as may be necessary to reduce the rate of interest on the indebtedness secured by the mortgage, purchase-money mortgage, or contract acquired or purchased to the same rate of interest the bank is charging on first-mortgage loans which it is then making.

Ninth. *Charging fees for loans.*—To charge applicants for loans and borrowers, under rules and regulations promulgated by the Farm Credit Administration, reasonable fees not exceeding the actual cost of appraisal and determination of title. Legal fees and recording charges imposed by law in the State where the land to be mortgaged is located may also be included in the preliminary costs of negotiating mortgage loans. The borrower may pay such fees and charges or he may arrange with the Federal land bank making the loan to advance the same, in which case said expenses shall be made a part of the face of the loan and paid off in amortization payments. Such addition to the loan shall not be permitted to increase said loan above the limitations provided in section 771 of this title.

Tenth. *Extension of obligations unpaid under terms of mortgages.*—When in the judgment of the directors conditions justify it, to extend, in whole or in part, any obligation that may be or become unpaid under the terms of any mortgage, and to accept payment of any such obligation during a period of five years or less from the date of such extension in such amounts as may be agreed upon at the date of making such extension. The terms of any such extension shall be such as will not defer the collection of any obligation due by any borrower which, after investigation by the bank of the situation of such borrower, is shown to be within his capacity to meet.

Eleventh. *Postponement of payment of installments of loans.*—At any time within five years after March 4, 1933, any borrower who has obtained a loan from a Federal land bank may on application to such Federal land bank and upon approval of such application by the directors of the bank postpone the payment of any unpaid installment or installments in the manner herein provided in this section. Such postponed payment shall be made by paying at the time each succeeding annual installment is due, one-tenth of the amount of the postponed payment, and, in the case of semiannual installments, by paying at the

time each succeeding semiannual installment is due, one-twentieth of the postponed payment, until the amount of such postponed payment has been paid. In any case in which the number of remaining installments due on the mortgage is less than ten, in the case of annual installments, or less than twenty, in the case of semiannual installments, the amount of the postponed payment shall be distributed proportionately over the remaining number of installment payments.

Twelfth. *Interest rate; on extended payments; on taxes, liens, etc., paid by mortgagee.*—For the period of five years after March 4, 1933, every borrower shall pay simple interest on extended payments at the same rate of interest as stipulated in the mortgage securing the loan as to payments not in default and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear interest at the rate provided in the mortgage.

Thirteenth. *Reamortization of mortgages.*—When in the judgment of the directors conditions justify it, and with the approval of the Farm Credit Administration, to reamortize, in whole or in part, the aggregate amount remaining unpaid under the terms of any mortgage, and to accept payment of such aggregate amount on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover the interest payable on the mortgage, and in addition thereto such amounts to be applied upon the principal as will extinguish the debt within an agreed period of not more than forty years from the date of the reamortization; to deposit such mortgages with the farm loan registrar as collateral security for farm loan bonds at an amount not exceeding the principal of the original loan remaining unpaid at the date of such amortization; and with the approval of the Farm Credit Administration to charge the borrower an amount not to exceed the actual cost incurred in connection with such reamortization.

Fourteenth. *Agreements to share gains and losses with associations.*—To enter into agreements with national farm loan associations of the district under the terms of which losses incurred and gains realized on account of the disposition of lands covered by a defaulted mortgage indorsed by such association will be shared equally by the bank and the association.

Fifteenth. *Exchange for and purchase of Federal Farm Mortgage Corporation bonds.*—To exchange farm loan bonds for Federal Farm Mortgage Corporation bonds of equal face value.

Sixteenth. *Exchange of Federal Farm Mortgage Corporation bonds for farm loan bonds.*—To exchange Federal Farm Mortgage Corporation bonds for farm loan bonds of equal face value.

Seventeenth. *Loans to other Federal land banks, Federal intermediate credit banks, or banks for cooperatives.*—To make loans to other Federal land banks, to Federal intermediate credit banks, or to banks for cooperatives organized under the Farm Credit Act of 1933, as amended, upon such terms and conditions as may be approved by the Farm Credit Administration.

Eighteenth. *Accepting conditional payments for subsequent credit on indebtedness.*—To accept conditional payments from borrowers for subsequent credit upon their indebtedness to the land banks; and to allow interest on such payments. All conditional payments so accepted shall be subject to such terms and conditions, not inconsistent with the provisions of this paragraph and with any rules or regulations prescribed for its efficient execution by the Farm Credit Administration, as may be agreed upon at the time of their acceptance. If a conditional payment is accepted for subsequent credit upon a first mortgage which is at the time or is thereafter pledged as collateral security for an issue of farm loan bonds, all requirements, conditions, and limitations set forth in sections 897—899 of this title shall apply to such payment the same as though it were a present payment on the principal of the mortgage pledged as collateral security, and the land bank shall forthwith notify the farm loan registrar of its receipt of such payment and account to him therefor. Every conditional payment accepted by a land bank for subsequent credit upon indebtedness of a borrower shall be credited upon such indebtedness as the borrower may from time to time direct in accordance with the terms and conditions upon which the payment has been accepted, and at the option of the bank may in any event be credited upon such indebtedness as and when it matures if it is not otherwise paid by the borrower at or before maturity. If at any time after five years from the date on which a borrower's loan was made, the aggregate of the borrower's conditional payments accepted on account of his indebtedness under such loan and not yet credited thereon equals or exceeds his total indebtedness under the loan, all unmatured indebtedness under such loan shall become due and payable at once, and the payments so accepted shall forthwith be credited upon the borrower's indebtedness under the loan so far as may be necessary to pay it in full. Any balances of conditional payments remaining uncredited when the indebtedness on account of which they have been accepted has been paid in full shall be refunded to the borrower by the land bank.

Nineteenth. *Deferment of installment payments.*—To permit any borrower to defer payment of the principal portions of installments on his loan in order that he may pay, in whole or in part, any indebtedness which is secured by a lien junior to the lien of the bank upon the farm land mortgaged to secure his loan. Such a deferment may be permitted

for other purposes for a period not exceeding five years under regulations prescribed by the Farm Credit Administration.

Twentieth. *Purchasing assets of Federal Farm Mortgage Corporation.*—Without regard to any limitations or restrictions of this subchapter, to purchase all assets, except cash, accounts receivable, and reserved mineral interests, held by the Federal Farm Mortgage Corporation as a result of loans made on or before July 1, 1947, in the farm credit district in which said bank is situated and to assume the liabilities of said Corporation for future payment funds of borrowers and trust accounts applicable to said assets. The purchase price of notes and mortgages, purchase money mortgages, and real estate sales contracts shall be equal to the total of the unpaid balances on such items and accrued interest thereon at the date as of which purchase is made, less the total of the liabilities of the Corporation being assumed by the bank as herein provided. The purchase price of real estate, sheriffs' certificates, loans called for foreclosure, loans in suspense, judgments, and any other assets eligible for purchase under this paragraph but not specifically identified herein shall be equal to the fair market value of the assets as determined by agreement. The total consideration for the purchase shall be payable over a period of not more than ten years from the date as of which purchase is made, and upon such terms as shall be agreed upon through negotiation with the Board of Directors of the Corporation. (*July 17, 1916, ch. 245, § 13, 39 Stat. 372; Jan. 23, 1932, ch. 9, § 5, 47 Stat. 14; Mar. 4, 1933, ch. 270, §§ 3, 4, 47 Stat. 1548; Ex. Ord. No. 6084, Mar. 27, 1933; May 12, 1933, ch. 25, title II, §§ 22, 23, 48 Stat. 42, 43; June 16, 1933, ch. 98, title VII, § 79, title VIII, § 80 (a), 48 Stat. 272, 273; Jan. 31, 1934, ch. 7, § 8 (a), 48 Stat. 347; Aug. 19, 1937, ch. 704, §§ 5 (a), 15 (a), (b), 16, 17, 19, 50 Stat. 704, 708, 709; June 30, 1945, ch. 204, §§ 5—7, 59 Stat. 267; Oct. 29, 1949, ch. 786, § 3, 63 Stat. 986; June 1, 1955, ch. 117, 69 Stat. 81; Aug. 11, 1955, ch. 785, title III, § 305, 69 Stat. 665; July 26, 1956, ch. 741, title I, § 104 (e), 70 Stat. 664.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

Restrictions on Federal Land Banks

12 U. S. C. § 791

F. F. L. Act § 14

Enumeration of restrictions

No Federal land bank shall have power—

First. *Limiting deposits.*—To accept deposits of current funds payable upon demand except from its own stockholders, or to transact any bank-

ing or other business not expressly authorized by the provisions of this subchapter.

Second. *Loaning on first mortgages except through associations.*—To loan on first mortgage except through national farm loan associations as provided in sections 711—722 and 731—734 of this title, or through agents as provided in sections 801—808 of this title, or direct to borrowers as provided in section 723 of this title.

Third. *Accepting other than first mortgages.*—To accept any mortgages on real estate except first mortgages created subject to all limitations imposed by sections 771 and 772 of this title, and those taken as additional security for existing loans.

Fourth. *Issuing excess of bonds; receiving excess of mortgages from associations.*—To issue or obligate itself for outstanding farm loan bonds (including consolidated bonds issued on its behalf) in excess of twenty times the amount of its capital and surplus, or to receive from any national farm loan association additional mortgages when the principal remaining unpaid upon mortgages already received from such association shall exceed twenty times the amount of its capital stock owned by such association.

Fifth. *Demanding unauthorized commissions.*—To demand or receive, under any form or pretense, any commission or charge not specifically authorized in this subchapter.

Sixth. *Accepting mortgages on personal property exempt from execution.*—To accept as additional security for any loan to any borrower under this subchapter, or any installment on any such loan, any personal property which is exempt from execution upon judgment under the laws of the State in which the land with respect to which the mortgage is given is situated. (*July 17, 1916, ch. 245, § 14, 39 Stat. 372; Mar. 4, 1933, ch. 270, § 5 (a), (b), 47 Stat. 1549; June 16, 1933, ch. 98, title VII, §§ 71, 75 (a), 48 Stat. 271.*)

Loans by Federal Land Banks Through Agents

12 U. S. C. § 801

F. F. L. Act § 15

Loans; when authorized

Whenever it shall appear to the Farm Credit Administration that national farm loan associations have not been formed, and are not likely to be formed, in any locality, because of peculiar local conditions, said administration may, in its discretion, authorize Federal land banks to make loans on farm lands through agents approved by said administration. (*July 17, 1916, ch. 245, § 15, 39 Stat. 373; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 802**F. F. L. Act § 15****Manner of making**

Loans authorized by section 801 of this title shall be subject to the same conditions and restrictions as if the same were made through national farm loan associations, and each borrower shall contribute 5 per centum of the amount of his loan to the capital of the Federal land bank, and shall become the owner of as much capital stock of the land bank as such contribution shall warrant. (*July 17, 1916, ch. 245, § 15, 39 Stat. 373.*)

12 U. S. C. § 803**F. F. L. Act § 15****Who may be employed as agent**

No agent other than a duly incorporated bank, trust company, mortgage company, or savings institution, chartered by the State in which it has its principal office, shall be employed under the provisions of sections 801—808 of this title. (*July 17, 1916, ch. 245, § 15, 39 Stat. 373.*)

12 U. S. C. § 804**F. F. L. Act § 15****Expenses of and commissions to agents**

Federal land banks may pay to such agents the actual expense of appraising the land offered as security for a loan, examining and certifying the title thereof, and making, executing, and recording the mortgage papers; and in addition may allow said agents not to exceed one-half of 1 per centum per annum upon the unpaid principal of said loan, such commission to be deducted from dividends payable to the borrower on his stock in the Federal land bank. (*July 17, 1916, ch. 245, § 15, 39 Stat. 373.*)

12 U. S. C. § 805**F. F. L. Act § 15****Expenses of agents added to loans**

Actual expenses paid to agents under the provisions of sections 801—808 of this title shall be added to the face of the loan and paid off in amortization payments subject to the limitations provided in subsection ninth of section 781 of this title. (*July 17, 1916, ch. 245, § 15, 39 Stat. 373.*)

12 U. S. C. § 806**F. F. L. Act § 15****Collection of loan payments**

Said agents, when required by the Federal land banks, shall collect and forward to such banks without charge all interest and amortization payments on loans indorsed by them. (*July 17, 1916, ch. 245, § 15, 39 Stat. 373.*)

12 U. S. C. § 807**F. F. L. Act § 15****Indorsement of loans; liability thereon**

Any agent negotiating any such loan shall indorse the same and become liable for the payment thereof, and for any default by the mortgagor, on the same terms and under the same penalties as if the loan had been originally made by said agent as principal and sold by said agent to said land bank, but the aggregate of the unpaid principal of mortgage loans received from any such agent shall not exceed 10 times its capital and surplus. (*July 17, 1916, ch. 245, § 15, 39 Stat. 373.*)

12 U. S. C. § 808**F. F. L. Act § 15****When loans to cease**

If at any time the district represented by any agent under the provisions of sections 801—808 of this title shall, in the judgment of the Farm Credit Administration, be adequately served by national farm loan associations, no further loans shall be negotiated therein by agents under said sections. (*July 17, 1916, ch. 245, § 15, 39 Stat. 373; Ex Ord. No. 6084, Mar. 27, 1933.*)

Joint Stock Land Banks**12 U. S. C. § 810****E. F. M. Act 1933 § 29****Restriction against making loans
or issuing bonds after May 12, 1933**

After May 12, 1933, no joint stock land bank shall issue any tax-exempt bonds or make any farm loans except such as are necessary and incidental to the refinancing of existing loans or bond issues or to the sale of any real estate now owned or hereafter acquired by such bank. (*May 12, 1933, ch. 25, title II, § 29, 48 Stat. 46.*)

12 U. S. C. § 811**F. F. L. Act § 16****Organization; directors**

Corporations, to be known as joint stock land banks, for carrying on the business of lending on farm mortgage security and issuing farm loan bonds, may be formed by any number of natural persons not less than ten. They shall be organized subject to the requirements and under the conditions set forth in sections 672 and 673—677a of this title, so far as the same may be applicable: *Provided*, That the board of directors of every joint stock land bank shall consist of not less than five members. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374.*)

12 U. S. C. § 812**F. F. L. Act § 16****Individual liability of shareholders**

Shareholders of every joint stock land bank organized under this chapter shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374.*)

12 U. S. C. § 813**F. F. L. Act § 16****Powers, duties, and liabilities; stock**

Except as otherwise provided, joint stock land banks shall have the powers of, and be subject to all the restrictions and conditions imposed on, Federal land banks by this chapter, so far as such restrictions and conditions are applicable: *Provided, however,* That the Government of the United States shall not purchase or subscribe for any of the capital stock of any such bank; and each shareholder of any such bank shall have the same voting privileges as holders of shares in national banking associations. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374.*)

12 U. S. C. § 814**F. F. L. Act § 16****Limitation on amount of issue of bonds;
transacting unauthorized business**

No joint stock land bank shall have power to issue or obligate itself for outstanding farm loan bonds in excess of fifteen times the amount of its capital and surplus, or to receive deposits or to transact any banking or other business not expressly authorized by the provisions of this chapter. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374.*)

12 U. S. C. § 815**F. F. L. Act § 16****Minimum capital stock**

No joint stock land bank shall be authorized to do business until capital stock to the amount of at least \$250,000 has been subscribed, one-half thereof paid in cash, and the balance subject to call by the board of directors, and a charter has been issued to it by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 816**F. F. L. Act § 16****Issuing bonds before payment of stock**

No joint stock land bank shall issue any bonds until after the capital stock is entirely paid up. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374.*)

12 U. S. C. § 817**F. F. L. Act § 16****Form of bonds**

Farm loan bonds issued by joint stock land banks shall be so engraved as to be readily distinguished in form and color from farm loan bonds issued by Federal land banks, and shall otherwise bear such distinguishing marks as the Farm Credit Administration shall direct. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 818**F. F. L. Act § 16****Interest rates; restrictions on mortgage loans**

Joint stock land banks shall not be subject to the provisions of subsection (b) of section 831 of this title as to interest rates on mortgage loans or farm loan bonds, nor to the provisions of subsections first, fourth, sixth, seventh, and tenth of section 771 of this title as to restrictions on mortgage loans: *Provided, however,* That no loans shall be made which are not secured by first mortgages on farm lands within the State in which such joint stock land bank has its principal office, or within some one State contiguous to such State, except as hereinafter provided. Such joint stock land banks shall be subject to all other restrictions on mortgage loans imposed on Federal land banks in section 771 of this title. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374; Mar. 4, 1931, ch. 518, § 1, 46 Stat. 1548.*)

12 U. S. C. § 819**F. F. L. Act § 16****Limitation on interest rates**

Joint stock land banks shall in no case charge a rate of interest on farm loans exceeding by more than 1 per centum the rate of interest established for the last series of farm loan bonds issued by them. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374.*)

12 U. S. C. § 820**F. F. L. Act § 16****Unauthorized commissions or charges**

Joint stock land banks shall in no case demand or receive, under any form or pretense, any commission or charge not specifically authorized in this chapter. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374.*)

12 U. S. C. § 821**F. F. L. Act § 16****Bonds; form and contents**

Each joint stock land bank organized under this chapter shall have authority to issue bonds based upon mortgages taken by it in accordance with the terms of this chapter. Such bonds shall be in form prescribed by the Farm Credit Administration, and it shall be stated in such

bonds that such bank is organized under sections 811–824 of this title, is under Federal supervision, and operates under the provisions of this chapter. (*July 17, 1916, ch. 245, § 16, 39 Stat. 374; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 822

F. F. L. Act § 16

Voluntary liquidation

Any joint stock land bank organized and doing business under the provisions of this chapter may go into voluntary liquidation by making provision, to be approved by the Farm Credit Administration, for the payment of its liabilities: *Provided*, That such method of liquidation shall have been duly authorized by a vote of at least two-thirds of the shareholders of such joint stock land bank at a regular meeting, or at a special meeting called for that purpose, of which at least ten days' notice in writing shall have been given to stockholders. (*July 17, 1916, ch. 245, § 16 (par.), as added May 29, 1920, ch. 215, 41 Stat. 691, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 823

F. F. L. Act § 16

Assets of liquidating bank; purchase by Federal or joint stock land bank; assumption of liabilities

For the purpose of assisting in any such liquidation authorized as in section 822 of this title provided, any Federal land bank or joint stock land bank may, with the approval of the Farm Credit Administration, acquire the assets and assume the liabilities of any joint stock land bank, and in such transaction any Federal land bank may waive the provisions of this chapter requiring such bank to acquire its loans only through national farm loan associations or agents, and those relating to status of borrower, purposes of loan, and also the limitation as to the amount of individual loans. No Federal land bank shall assume the obligations of any joint stock land bank in such manner as to make its outstanding obligations more than twenty times its capital stock except by creation of a special reserve equal to one-twentieth of the amount of such additional obligations assumed. No joint stock land bank shall assume the obligations of any other joint stock land bank in such manner as to make its outstanding obligations more than fifteen times the amount of its capital and surplus except by creation of a special reserve equal to one-fifteenth of the amount of such additional obligations assumed. (*July 17, 1916, ch. 245, § 16 (pars.), as added May 29, 1920, ch. 215, 41 Stat. 691, and amended Mar. 4, 1925, ch. 524, § 5, 43 Stat. 1263; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 824**F. F. L. Act § 16****Insolvency; receivership; acquisition of assets by other banks; loans by acquiring bank in additional States**

In any case where a joint stock land bank has been, or may be, declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, any Federal land bank or joint stock land bank may, in the manner as may be prescribed by the Farm Credit Administration and with the approval of the Farm Credit Administration, acquire the assets and assume the liabilities of said joint stock land bank in the hands of a receiver. Any joint stock land bank which has acquired or may hereafter acquire the assets and which has assumed or may hereafter assume the liabilities of another joint stock land bank may, if authorized by the Farm Credit Administration, make loans secured by first mortgages on farm lands within the States in which the other joint stock land bank was authorized to make loans at the time of such acquisition, and the acquiring bank may, with the approval of the Farm Credit Administration, continue to make loans in the States where it was authorized to make loans at the time of such acquisition: *Provided, however,* That the acquiring bank shall not be authorized to make loans at any one time in more than five States, of which one shall be the State in which the bank has its principal office, one shall be contiguous to such State, the other shall be the States in which the acquired joint stock land banks were authorized to make loans at the time of such acquisition, and all of said five States shall be situated in contiguous territory. (*July 17, 1916, ch. 245, § 16 (par.), as added Mar. 4, 1931, ch. 518, § 2, 46 Stat. 1548, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

Powers of Farm Credit Administration**12 U. S. C. § 831****F. F. L. Act § 17****Enumeration**

The Farm Credit Administration shall have power—

(a) Organizing and chartering banks and loan associations; authorizing increase of stock

To organize and charter Federal land banks, and to charter national farm loan associations and joint stock land banks subject to the provisions of this subchapter, and in its discretion to authorize them to increase their capital stock.

(b) Reviewing and altering interest rates

To review and alter at its discretion the rate of interest to be charged by Federal land banks for loans made by them under the provisions of this subchapter, said rates to be uniform so far as practicable.

(c) Granting or refusing authority to issue bonds.

To grant or refuse to Federal land banks, or joint stock land banks, authority to make any specific issue of farm loan bonds.

(d) Making rules and regulations as to charges on loans

To make rules and regulations respecting the charges made to borrowers on loans under this subchapter for expenses in appraisal, determination of title, and recording.

(e) Requiring reports, etc.; examining banks and associations

To require reports and statements of condition and to make examinations of all banks or associations doing business under the provisions of this subchapter.

(f) Prescribing form and terms of bonds and surety bonds

To prescribe the form and terms of farm loan bonds, and the form, terms, and penal sums of all surety bonds required under this subchapter and of such other surety bonds as they shall deem necessary, such surety bonds to cover financial loss as well as faithful performance of duty.

(g) Regulating payments between banks

To require Federal land banks to pay forthwith to any Federal land bank their equitable proportion of any sums advanced by said land bank to pay the coupons of any other land bank, basing said required payments on the amount of farm loan bonds issued by each land bank and actually outstanding at the time of such requirement.

(h) Suspending or removal of directors, registrars, appraisers, and examiners

To suspend or to remove for cause any district director or director at large, or any registrar, appraiser, examiner, or other official appointed by the Farm Credit Administration under authority of sections 651, 656, and 658—664 of this title, the cause of such suspension or removal to be communicated forthwith in writing by said Administration to the person suspended or removed, and in case of a district director or director at large to the proper Federal land bank, Federal intermediate credit bank, production credit corporation and regional bank for cooperatives.

(i) Exercising supervisory authority over banks

To exercise general supervisory authority over the Federal land banks, the national farm loan associations, and the joint stock land banks herein provided for.

(j) Incidental powers

To exercise such incidental powers as shall be necessary or requisite to fulfill its duties and carry out the purposes of this subchapter. (*July 17, 1916, ch. 245, § 17, 39 Stat. 375; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 9, 50 Stat. 707.*)

12 U. S. C. § 832**Allocation of expenses of administrative services rendered each year by Farm Credit Administration to certain banking institutions; disposition of moneys**

(a) The Farm Credit Administration shall, prior to the first day of each fiscal year commencing after June 30, 1944, estimate for the ensuing fiscal year the cost of examinations of the Federal land banks, national farm loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, and production credit associations; shall apportion the amount so determined among the Federal land banks, national farm loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, and production credit associations on such equitable basis as said Administration shall determine; and shall assess against and collect in advance the amount so apportioned from the banks, and other organizations among which the apportionment is made, except that the amounts apportioned to national farm loan associations shall be assessed against and collected from the Federal land bank of the district which may in turn collect such amounts from the associations in a manner approved by the Farm Credit Administration.

(b) The Farm Credit Administration shall, prior to the first day of each fiscal year commencing after June 30, 1944, estimate the cost to it for the ensuing fiscal year of the administrative supervision of the Federal land bank system, the banks for cooperatives, the Central Bank for Cooperatives, the Federal intermediate credit banks, and the production credit system; shall apportion the amount so determined among the Federal land banks, the banks for cooperatives, the Central Bank for Cooperatives, and the Federal intermediate credit banks on such equitable basis as said Administration shall determine; and shall assess against and collect in advance from such banks the amount so apportioned.

(c) The amounts collected pursuant to subsections (a) and (b) of this section shall be covered into the Treasury, and credited to a special fund, which fund is authorized to be appropriated to said Administration for expenditure during each fiscal year for salaries and expenses applicable to examination and administrative supervision as set forth in the annual appropriation made for the same fiscal year for salaries and expenses of said Administration. As soon as practicable after the end of each such fiscal year, said Administration shall determine on a fair and

reasonable basis (1) the cost of the examination services rendered during the fiscal year to each said bank, or other organization; and (2) the amount which fairly and equitably should be allocated to each bank as the cost during the fiscal year of such administrative supervision, and if the sum of these two items in any case is greater than the total amount collected from the bank, or other organization, the difference shall be collected from such bank, or other organization, and, if less, shall be refunded from said special fund to the bank, or other organization entitled thereto. (*Sept. 21, 1944, ch. 412, title VI, § 601 (a—c), 58 Stat. 740; Aug. 11, 1955, ch. 785, title III, § 307, 69 Stat. 665; July 26, 1956, ch. 741, title I, § 108, 70 Stat. 667.*)

12 U. S. C. § 833

Purchase of manuscripts, data, and special reports; employment of personnel for special services

The Farm Credit Administration is authorized to purchase manuscripts, data, and special reports by personal service without regard to the provisions of any other Act, and to employ persons, firms, and others for the performance of special services, including legal services: *Provided*, That expenditures under this authority shall not be made unless provision is made therefor in the applicable appropriation and the cost thereof is not in excess of limitations prescribed therein. (*Sept. 21, 1944, ch. 412, title VI, § 602, 58 Stat. 741.*)

Applications for Farm Loan Bonds

12 U. S. C. § 841

F. F. L. Act § 18

Application; to whom made; collateral security; schedule

Any Federal land bank, or joint stock land bank, which shall have voted to issue farm loan bonds under this chapter, shall make written application to the Farm Credit Administration, through the farm loan registrar of the district, for approval of such issue. With said application said land bank shall tender to said farm loan registrar as collateral security first mortgages on farm lands qualified under the provisions of sections 771, 772, 801—808, or 811—824 of this title, or United States Government bonds, not less in aggregate amount than the sum of the bonds proposed to be issued. Said bank shall furnish with such mortgages a schedule containing a description thereof and such further information as may be prescribed by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 18, 39 Stat. 375; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 842**F. F. L. Act § 18****Verification of schedule; investigation and appraisal of securities tendered; decision as to application**

Upon receipt of the application provided for in section 841 of this title said farm loan registrar shall verify the schedule also provided for in said section and shall transmit said application and said schedule to the Farm Credit Administration, giving such further information pertaining thereto as he may possess. The Farm Credit Administration shall forthwith cause to be made such investigation and appraisal of the securities tendered as it shall deem wise, and it shall grant in whole or in part, or reject entirely, such application. (*July 17, 1916, ch. 245, § 18, 39 Stat. 375; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 843**F. F. L. Act § 18****Transmission of decisions to land bank and registrar; information to be furnished by registrar**

The Farm Credit Administration shall promptly transmit its decision as to any issue of farm loan bonds to the land bank applying for the same and to the farm loan registrar of the district. Said registrar shall furnish, in writing, such information regarding any issue of farm loan bonds as the Farm Credit Administration may at any time require. (*July 17, 1916, ch. 245, § 18, 39 Stat. 375; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 844**F. F. L. Act § 18****Written approval of issue requisite**

No issue of farm loan bonds shall be authorized unless the Farm Credit Administration shall approve such issue in writing. (*July 17, 1916, ch. 245, § 18, 39 Stat. 375; Ex. Ord. No. 6084, Mar. 27, 1933.*)

Issue of Farm Loan Bonds**12 U. S. C. § 851****F. F. L. Act § 19****Duties of registrar on approval of bond issue**

Whenever any farm loan registrar shall receive from the Farm Credit Administration notice that it has approved any issue of farm loan bonds under the provisions of sections 841—844 of this title, he shall forthwith take such steps as may be necessary, in accordance with the provisions of this chapter, to insure the prompt execution of said bonds and the delivery of the same to the land bank applying therefor. (*July 17, 1916, ch. 245, § 19, 39 Stat. 376; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 852**F. F. L. Act § 19****Rejection of application;
return of collateral security**

Whenever the Farm Credit Administration shall reject entirely any application for an issue of farm loan bonds, the first mortgages and bonds tendered to the farm loan registrar as collateral security therefor shall be forthwith returned to said land bank by him. (*July 17, 1916, ch. 245, § 19, 39 Stat. 376; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 853**F. F. L. Act § 19****Disposition of collateral security
on approval of application**

Whenever the Farm Credit Administration shall approve an issue of farm loan bonds, the farm loan registrar having the custody of the first mortgages and bonds tendered as collateral security for such issue of bonds shall retain in his custody those first mortgages and bonds which are to be held as collateral security, and shall return to the bank owning the same any of said mortgages and bonds which are not to be held by him as collateral security. The land bank which is to issue said farm loan bonds shall transfer to said registrar, by assignment, in trust, all first mortgages and bonds which are to be held by said registrar as collateral security, said assignment providing for the right of redemption at any time by payment as provided in this chapter and reserving the right of substitution of other mortgages qualified under sections 771, 772, 801—808, and 811—824 of this title. Said mortgages and bonds shall be deposited in such deposit vault or bank as the Farm Credit Administration shall approve, subject to the control of said registrar and in his name as trustee for the bank issuing the farm loan bonds and for the prospective holders of said farm loan bonds. (*July 17, 1916, ch. 245, § 19, 39 Stat. 376; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 854**F. F. L. Act § 19****Mortgages eligible as collateral**

No mortgage shall be accepted by a farm loan registrar from a land bank as part of an offering to securing farm loan bonds, either originally or by substitution, except first mortgages made subject to the conditions prescribed in sections 672, 673—677a, 711—723, 771, 772, 801—808, and 811—824 of this title: *Provided*, That such registrar, when authorized and directed to do so by the Farm Credit Administration, shall accept or retain in his custody as collateral, if otherwise eligible under the provisions of such sections, any first mortgage in connection with which the land bank depositing the same has agreed to defer for a period of not

more than ten years the collection of the principal portion of maturing installments and to accept payment of the aggregate amount of such principal on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover the interest payable thereon and in addition thereto such amounts to be applied on the principal after the expiration of the period of deferment as will extinguish the debt within an agreed period of not more than forty years from the date of such agreement. (*July 17, 1916, ch. 245, § 19, 39 Stat. 376; Mar. 4, 1933, ch. 270, § 6 (a), 47 Stat. 1549; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 855**F. F. L. Act § 19****Registrar's duty respecting amount of collateral; United States bonds or cash in lieu of mortgages withdrawn**

It shall be the duty of each farm loan registrar to see that the farm loan bonds delivered by him and outstanding do not exceed the amount of collateral security pledged therefor. Such registrar may, in his discretion, temporarily accept, in place of mortgages withdrawn, United States Government bonds or cash. (*July 17, 1916, ch. 245, § 19, 39 Stat. 376.*)

12 U. S. C. § 856**F. F. L. Act § 19****Additional security**

The Farm Credit Administration may, at any time, call upon any land bank for additional security to protect the bonds issued by it. (*July 17, 1916, ch. 245, § 19, 39 Stat. 376; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 857**F. F. L. Act § 19****Acceptable collateral security**

Notwithstanding any other provisions of this subchapter to the contrary, on and after July 1, 1945, subject to the approval of the Farm Credit Administration, any Federal land bank may deposit with the farm loan registrar of the district, and it shall be the duty of said registrar to accept, as collateral security for farm loan bonds, either originally or by substitution, (a) United States Government obligations direct or fully guaranteed, and (b) notes secured by mortgages or purchase money mortgages on farms, or contracts for the sale of farms; provided any such mortgage, purchase money mortgage, or contract constitutes a first lien on the farm, or its equivalent from a security standpoint as determined by the Farm Credit Administration, and the unpaid balance thereof at the time of acceptance is not in excess of 65 per centum of the normal value of the farm, as determined upon appraisal made pursuant to this

subchapter. (*July 17, 1916, ch. 245, § 19 (par.), as added Mar. 4, 1933, ch. 270, § 6 (b), 47 Stat. 1549, and amended June 30, 1945, ch. 204, § 2, 59 Stat. 268.*)

Form of Farm Loan Bonds

12 U. S. C. § 861

F. F. L. Act § 20

Amount, denomination, and terms; maturity date; interest rates

Bonds provided for in this subchapter shall be issued in such amounts, denominations, and bear such terms as the Farm Credit Administration may authorize; they shall have a specified maturity, but may, in addition, when stated in the bonds, be redeemable, at the option of the land bank, at an earlier specified date or dates. They shall bear a rate of interest not to exceed $5\frac{1}{2}$ per centum per annum, but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per centum per annum. (*July 17, 1916, ch. 245, § 20, 39 Stat. 377; Apr. 20, 1920, ch. 154, § 5, 41 Stat. 571; Mar. 4, 1921, ch. 151, 41 Stat. 1362; Aug. 13, 1921, ch. 63, 42 Stat. 159; Ex. Ord. No. 6084, Mar. 27, 1933; June 30, 1945, ch. 204, § 9, 59 Stat. 268.*)

12 U. S. C. § 862

F. F. L. Act § 20

Rules and regulations as to payment

The Farm Credit Administration shall prescribe rules and regulations concerning the circumstances and manner in which farm loans bonds shall be paid and retired under the provisions of this chapter. (*July 17, 1916, ch. 245, § 20, 39 Stat. 377; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 863

F. F. L. Act § 20

Delivery to bank

Farm loan bonds shall be delivered through the registrar of the district to the bank applying for the same. (*July 17, 1916, ch. 245, § 20, 39 Stat. 377.*)

12 U. S. C. § 864

F. F. L. Act § 20

Preparation; custody of plates and dies; exchange for registered bonds; reexchange for coupons

In order to furnish farm loan bonds for delivery at the Federal land banks and joint stock land banks, the Secretary of the Treasury is authorized to prepare suitable bonds in such form, subject to the provisions of this chapter, as the Farm Credit Administration may approve, such

bonds when prepared to be held in the Treasury subject to delivery upon order of the Farm Credit Administration. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. Any expenses incurred in the preparation, custody, and delivery of such farm loan bonds shall be paid by the Secretary of the Treasury from any funds in the Treasury not otherwise appropriated: *Provided, however,* That the Secretary shall be reimbursed for such expenditures by the Farm Credit Administration through assessment upon the farm land banks in proportion to the work executed. They may be exchanged into registered bonds of any amount, and reexchanged into coupon bonds, at the option of the holder, under rules and regulations to be prescribed by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 20, 39 Stat. 377; Ex. Ord. No. 6084, Mar. 27, 1933.*)

Effective July 1, 1935, the permanent appropriation provided for in this section was repealed by act June 26, 1934, ch. 756, § 1, 48 Stat. 1224. See section 725 (b) of Title 31, Money and Finance.

Special Provisions of Farm Loan Bonds

12 U. S. C. § 871

F. F. L. Act § 21

Land banks as bound by acts of officers and Farm Credit Administration in issue of bonds

Each land bank shall be bound in all respects by the acts of its officers in signing and issuing farm loan bonds and by the acts of the Farm Credit Administration in authorizing their issue. (*July 17, 1916, ch. 245, § 21, 39 Stat. 377; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 872

F. F. L. Act § 21

Liability of each Federal land bank for bonds issued by it and by other Federal land banks

Every Federal land bank issuing farm loan bonds shall be primarily liable therefor, and shall also be liable, upon presentation of farm loan bond coupons, for interest payments due upon any farm loan bonds issued by other Federal land banks and remaining unpaid in consequence of the default of such other land banks; and every such bank shall likewise be liable for such portion of the principal of farm loan bonds so issued as shall not be paid after the assets of any such other land banks shall have been liquidated and distributed: *Provided,* That such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent land banks liable therefor in proportion to the amount of farm loan bonds which each may have outstanding at the time of such assessment. (*July 17, 1916, ch. 245, § 21, 39 Stat. 377; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 873**F. F. L. Act § 21****Federal land banks; action of directors
respecting bond liability**

Every Federal land bank shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on farm loan bonds as provided in sections 871—886 of this title. (*July 17, 1916, ch. 245, § 21, 39 Stat. 377.*)

12 U. S. C. § 874**F. F. L. Act § 21****Signing and attesting bonds;
certificate of Land Bank Commissioner**

Every farm loan bond issued by a Federal land bank shall be signed by its president or vice president and attested by its secretary or assistant secretary. For the purpose of signing such bonds the board of directors of any Federal land bank is authorized to select a vice president who need not be a member of the board of directors; such bonds shall also contain in the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of the Federal Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security prescribed by the Federal Farm Loan Act, as amended, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (*July 17, 1916, ch. 245, § 21, 39 Stat. 377; Apr. 20, 1920, ch. 154, § 6, 41 Stat. 571; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title VII, § 75 (b), title VIII, § 80 (a), 48 Stat. 271, 273; June 30, 1945, ch. 204, § 10 (a), 59 Stat. 268.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

As to taxability of farm loan bonds, see note under section 931 of this title.

12 U. S. C. § 875**F. F. L. Act § 21****Consolidated bonds; authority
of Federal land banks to issue and sell**

Whenever it shall appear desirable to issue consolidated bonds of the twelve Federal land banks and to sell them through a common selling agency, and the Federal land banks shall, by resolution, consent to the same, the banks may issue and sell said bonds as hereinafter provided. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476.*)

12 U. S. C. § 876**F. F. L. Act § 21****Same; signature and attestation;
joint and several obligations; recitals**

Every bond so issued shall be signed by the Land Bank Commissioner and attested by any deputy land bank commissioner, and their signatures may be either written or engraved thereon and shall recite in the face of the bond the fact that it is the joint and several obligation of the twelve Federal land banks, and shall in all respects be governed by the provisions of the Federal Farm Loan Act not inconsistent herewith. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476, and amended June 16, 1933, ch. 98, title VIII, §§ 80 (a), 81, 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 877**F. F. L. Act § 21****Same; where payable**

The consolidated bonds issued under sections 874—886 of this title shall be made payable at any Federal land bank, and may be made payable at any Federal reserve bank or banks designated in the face of the bond. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476.*)

12 U. S. C. § 878**F. F. L. Act § 21****Same; act of Commissioner binding on banks**

Each Federal land bank on whose behalf consolidated bonds shall be issued under sections 874—886 of this title shall in all respects be bound by the act of the Land Bank Commissioner and any deputy land bank commissioner. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476, and amended Mar. 4, 1925, ch. 524, § 6, 43 Stat. 1264; June 16, 1933, ch. 98, title VIII, §§ 80 (a), 81, 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 879**F. F. L. Act § 21****Same; action of directors
respecting bond liability**

Every Federal land bank, before participation in a consolidated issue, as herein provided, shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on Federal farm loan bonds as provided in sections 871—886 of this title, and be

bound by the action of the Land Bank Commissioner and any deputy land bank commissioner in executing the same. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476, and amended June 16, 1933, ch. 98, title VIII, §§ 80 (a), 81, 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 880

F. F. L. Act § 21

Certificate of Land Bank Commissioner

Every farm loan bond issued hereunder shall contain on the face thereof a certificate signed by the Land Bank Commissioner to the effect that it is issued under the authority of Title I of the Federal Farm Loan Act, has the approval in form and issue of the Farm Credit Administration, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security prescribed by the Federal Farm Loan Act, as amended, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476, and amended Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title VII, § 75 (b), title VIII, § 80 (a), 48 Stat. 271, 273; June 30, 1945, ch. 204, § 10 (b), 59 Stat. 269.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

As to taxability of farm loan bonds, see note under section 931 of this title.

12 U. S. C. § 881

F. F. L. Act § 21

Farm loan bonds, special provisions of; consolidated bonds; participation of Federal land bank in issue; collateral—(a) Approval of issue requisite; collateral to be held separate from collective security for individual bonds; payments on pledged mortgages as trust funds

When any Federal land bank shall desire to participate in a consolidated issue of farm loan bonds it shall make application to the Farm Credit Administration for the approval on its behalf of such issue and tender to the registrar approved farm mortgages, or obligations of the United States Government, as security therefor, and no banks shall participate in such consolidated issue until such application has been approved by the Farm Credit Administration. Such approved farm mortgages or obligations of the United States Government shall be held by each farm loan registrar as collateral security for consolidated bonds, separate and apart from the mortgages and/or Government

bonds held by him as collective security for the bonds previously issued or assumed individually by the Federal land bank of his district. Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of consolidated farm loan bonds shall constitute a trust fund in the hands of the Federal land bank receiving the same and shall be applied or employed in the manner provided in sections 891–899 of this title with respect to payments on principal of first mortgages held as collateral for farm loan bonds of individual banks.

(b) Notice to registrar of disposition of payments on mortgages held as collateral; maintenance of collateral by banks

Every Federal land bank shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held as collateral security for the issue of consolidated farm loan bonds, and said registrar is authorized, at his discretion to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. Each bank shall maintain with the farm loan registrar of its district collateral security for the issue of consolidated farm loan bonds in an amount at least equal to the face amount of such bonds issued on its behalf.

(c) Withdrawal of collateral on surrender of bonds

When any Federal land bank shall surrender to the farm loan registrar of its district any consolidated Federal farm loan bonds, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds previously pledged as collateral in connection with any issue of consolidated farm loan bonds to an amount equal to the consolidated farm loan bonds so surrendered and it shall be the duty of such registrar to permit and direct the delivery of such mortgages and bonds to such land bank.

(d) Additional collateral; payment of bonds and coupons

The Farm Credit Administration may at any time call upon any Federal land bank for additional security to protect the consolidated bonds issued under the provisions of sections 874—886 of this title. Each bank shall pay when due, without notice, all bonds and coupons issued on its behalf hereunder.

(e) Power of Federal land bank to exchange consolidated bonds for individual bonds

Every Federal land bank shall have power to exchange consolidated farm loan bonds for farm loan bonds previously issued or assumed by it individually, with the approval of and under rules and regulations pro-

mulgated by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 21, 39 Stat. 377; Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476; Mar. 4, 1933, ch. 270, § 7, 47 Stat. 1550; Ex. Ord. No. 6084, Mar. 21, 1933.*)

12 U. S. C. § 882

F. F. L. Act § 21

Consolidated bonds; failure of participating bank to pay interest or principal; liability of other banks

If any Federal land bank shall fail to pay its proportion of interest or principal as prescribed in section 881 (d) of this title, the Farm Credit Administration shall immediately call upon the other Federal land banks for the amount necessary to make said payment, the assessments to be made in proportion to the capital stock of each, which assessments shall be forthwith paid by said banks. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 883

F. F. L. Act § 21

Bond committee and subcommittee

The presidents of the twelve Federal land banks shall constitute the bond committee of the Federal land banks and shall select a chairman from among their number. The vice president may act in place of the president on the president's request or in case he fails to act. The bond committee may appoint from among their number a subcommittee consisting of three members, to hold office for a period of one year or until their successors have been appointed, may from among their number fill any vacancies on the subcommittee and may dismiss at pleasure the members of the subcommittee or any of them. The subcommittee, if appointed, shall have such authority to exercise the powers and to perform the functions of the bond committee as the bond committee may authorize and shall be subject to all provisions of law relating to the duties and expenses of the bond committee. The committee shall select one of the members of the subcommittee to be chairman and one of the members of the subcommittee to be secretary of the subcommittee. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476, and amended Aug. 19, 1937, ch. 704, § 18, 50 Stat. 709.*)

12 U. S. C. § 884

F. F. L. Act § 21

Consolidated bonds; duties of bond committee

When an issue of consolidated bonds is contemplated, the bond committee shall determine the amount of such issue, the rate of interest which

it is to bear, and the participation of the several banks therein, and submit their recommendations to the Farm Credit Administration for approval. When approved by the Farm Credit Administration the bonds shall be executed by the Land Bank Commissioner and any Deputy Land Bank Commissioner, as provided in sections 871—886 of this title. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476, and amended Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title VIII, §§ 80 (a), 81, 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 885

F. F. L. Act § 21

Same; expenses

The expenses of the bond committee and of the sale of bonds shall be charged against the several land banks in proportion to their participation in the proceeds. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476.*)

12 U. S. C. § 886

F. F. L. Act § 21

Compensation of members of bond committee

The presidents of the Federal land banks shall receive no additional compensation for their services as members of the bond committee, but shall be paid necessary traveling expenses. (*July 17, 1916, ch. 245, § 21 (par.), as added Mar. 4, 1923, ch. 252, title III, § 308, 42 Stat. 1476.*)

Application of Amortization and Interest Payments

12 U. S. C. § 891

F. F. L. Act § 22

Payments upon mortgages pledged as collateral for bond issue; notice to registrar; cancellation of mortgage and discharge of lien upon full payment

Whenever any Federal land bank, or joint stock land bank, shall receive any principal payments upon any first mortgage or bond pledged as collateral security for the issue of farm loan bonds, it shall forthwith notify the farm loan registrar thereof as may be required by the Farm Credit Administration. Said registrar shall reflect such payment on his records in such manner as may be prescribed by the Farm Credit Administration. Upon notice from the bank that any such mortgage is paid in full, said registrar shall cause the same to be delivered to the proper land bank, which shall promptly cancel said mortgage and transmit such canceled mortgage, together with a release or satisfaction thereof as may be required to satisfy and discharge the lien of record, to the original maker thereof, or his heirs, administrators, executors, or assigns. (*July 17, 1916, ch. 245, § 22, 39 Stat. 378; Oct. 29, 1949, ch. 786, § 4, 63 Stat. 986.*)

12 U. S. C. § 892**F. F. L. Act § 22****Withdrawal of collateral
and substitution of other security**

Upon written application by any Federal land bank, or joint stock land bank, to the farm loan registrar, it may be permitted, in the discretion of said registrar, to withdraw any mortgages or bonds pledged as collateral security under this chapter, and to substitute therefor other similar mortgages or United States Government bonds not less in amount than the mortgages or bonds desired to be withdrawn. (*July 17, 1916, ch. 245, § 22, 39 Stat. 378.*)

12 U. S. C. § 893**F. F. L. Act § 22****Place and mode of payment of bonds
or interest thereon; cancellation on payment**

Whenever any farm loan bonds, or coupons or interest payments of such bonds, are due under their terms, they shall be payable at the land bank by which they were issued, in gold or lawful money, and upon payment shall be duly canceled by said bank. At the discretion of the Farm Credit Administration, payment of any farm loan bond or coupon or interest payment may, however, be authorized to be made at any Federal land bank, any joint stock land bank, or any other bank, under rules and regulations to be prescribed by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 22, 39 Stat. 378; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 894**F. F. L. Act § 22****Withdrawal of collateral security
on surrender of bonds**

When any land bank shall surrender to the proper farm loan registrar any farm loan bonds of any series, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds pledged as collateral security for any of said series of farm loan bonds to an amount equal to the farm loan bonds so surrendered, and it shall be the duty of said registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (*July 17, 1916, ch. 245, § 22, 39 Stat. 378.*)

12 U. S. C. § 895**F. F. L. Act § 22****Interest payments on pledged mortgages**

Interest payments on hypothecated first mortgages shall be at the disposal of the land bank pledging the same, and shall be available for the payment of coupons and the interest of farm loan bonds as they become due. (*July 17, 1916, ch. 245, § 22, 39 Stat. 378.*)

12 U. S. C. § 896**F. F. L. Act § 22****Payment of bonds, coupons,
and interest at maturity**

Whenever any bond matures, or the interest on any registered bond is due, or the coupon on any coupon bond matures, and the same shall be presented for payment as provided in this subchapter, the full face value thereof shall be paid to the holder. (*July 17, 1916, ch. 245, § 22, 39 Stat. 378.*)

12 U. S. C. § 897**F. F. L. Act § 22****Same; trust fund from payments
on mortgages held as collateral**

Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of farm loan bonds shall constitute a trust fund in the hands of the Federal land bank or joint stock land bank receiving the same, and shall be applied or employed as follows:

In the case of a Federal land bank—

(a) To pay off farm loan bonds issued by or in behalf of said bank as they mature.

(b) To purchase at or below par Federal farm loan bonds.

(c) To loan on first mortgages on farm lands within the farm credit district, qualified under this chapter as collateral security for an issue of farm loan bonds.

(d) To purchase United States Government bonds.

(e) To purchase Federal Farm Mortgage Corporation bonds.

In the case of a joint stock land bank—

(a) To pay off farm loan bonds issued by said bank as they mature.

(b) To purchase at or below par farm loan bonds.

(c) To loan on first mortgages qualified under sections 811—824 of this title.

(d) To purchase United States Government bonds.

(e) To purchase Federal Farm Mortgage Corporation bonds. (*July 17, 1916, ch. 245, § 22, 39 Stat. 378; Mar. 4, 1923, ch. 252, title III, § 309, 42 Stat. 1477; Jan. 31, 1934, ch. 7, § 8 (b), 48 Stat. 347; Aug. 19, 1937, ch. 704, §§ 5 (a), 15 (c), 50 Stat. 704, 708.*)

12 U. S. C. § 898**F. F. L. Act § 22****Same; deposit of trust funds with registrars
as substituted collateral security**

The farm loan bonds, first mortgages, United States Government bonds, or cash constituting the trust funds aforesaid, shall be forthwith

deposited with the farm loan registrar as substituted collateral security in place of the sums paid on the principal of indorsed mortgages held by him in trust. (*July 17, 1916, ch. 245, § 22, 39 Stat. 378.*)

12 U. S. C. § 899

F. F. L. Act § 22

Same; notice to registrar of disposition of principal payments on mortgages held as collateral; transfer to registrar on demand

Every Federal land bank, or joint stock land bank, shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held as collateral security for an issue of farm loan bonds, and said registrar is authorized, at his discretion, to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. (*July 17, 1916, ch. 245, § 22, 39 Stat. 378.*)

Reserves and Dividends of Land Banks

12 U. S. C. § 901

F. F. L. Act § 23

Amount carried to reserve account; withdrawal of excess; restoration of impairment.

Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually until said reserve account shall show a credit balance equal to 150 per centum of the outstanding capital stock of said land bank, and any land bank having a credit balance in said reserve account in excess of 150 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid. (*July 17, 1916, ch. 245, § 23, 39 Stat. 379; Jan. 23, 1932, ch. 9, § 3 (a), 47 Stat. 13; Aug. 11, 1955, ch. 785, title III, § 306 (a), 69 Stat. 665.*)

12 U. S. C. § 902

F. F. L. Act § 23

Dividends on balance of net earnings; investment of reserves

After deducting the 50 per centum or the 10 per centum directed to be deducted for credit to reserve account by section 901 of this title, any Federal land bank may declare a dividend or dividends to shareholders

of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration.

The reserves of land banks shall be invested in accordance with rules and regulations prescribed by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 23, 39 Stat. 379; Jan. 23, 1932, ch. 9, § 3 (a), (b), 47 Stat. 13; Aug. 11, 1955, ch. 785, title III, § 306 (a), 69 Stat. 665.*)

12 U. S. C. § 903

F. F. L. Act § 23

Payment of franchise tax before dividends; rate

Notwithstanding any other provision of this subchapter and subchapter III of this chapter, in the case of a Federal land bank having outstanding capital stock held by the United States during the whole or any part of a fiscal year, said bank shall, after complying with the reserve requirements of sections 901 and 902 of this title and before declaring any dividends to shareholders, pay to the United States a franchise tax equal to 25 per centum of its net earnings then remaining, not to exceed, however, a rate of return of such Government capital calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year ending next before such tax is due, as certified to the Farm Credit Administration by the Secretary of the Treasury. (*July 17, 1916, ch. 245, § 23, 39 Stat. 379; Aug. 6, 1953, ch. 335, § 10, 67 Stat. 395.*)

Reserves and Dividends of National Farm Loan Associations

12 U. S. C. § 911

F. F. L. Act § 24

Amount carried to reserve account

Every national farm loan association shall, out of its net earnings, semi-annually carry to reserve account a sum not less than 10 per centum of such net earnings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be semi-annually added thereto until said reserve account shall show a credit balance equal to 50 per centum of the outstanding capital stock of said association, and any association having a credit balance in said reserve account in excess of 50 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration. (*July 17, 1916, ch. 245, § 24, 39 Stat. 379; Jan. 23, 1932, ch. 9, § 4, 47 Stat. 13; Aug. 11, 1955, ch. 785, title III, § 306 (b), 69 Stat. 665.*)

12 U. S. C. § 912**F. F. L. Act § 24****Making good impairment of reserve**

Whenever the reserve shall have been impaired it shall be fully restored before any dividends are paid. (*July 17, 1916, ch. 245, § 24, 39 Stat. 379; Jan. 23, 1932, ch. 9, § 4, 47 Stat. 13.*)

12 U. S. C. § 913**F. F. L. Act § 24****Dividends on balance of net earnings**

After deducting the 10 per centum or the 5 per centum hereinbefore directed to be credited to reserve account, said association may at its discretion declare a dividend to shareholders of the whole or any part of the balance of said net earnings: *Provided*, That the declaration and payment of any such dividend shall be subject to the approval of the Land Bank Commissioner. (*July 17, 1916, ch. 245, § 24, 39 Stat. 379; Jan. 23, 1932, ch. 9, § 4, 47 Stat. 13; June 3, 1935, ch. 164, § 4, 49 Stat. 315.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 914**F. F. L. Act § 24****Investment of reserves**

The reserves of farm loan associations shall be invested in accordance with rules and regulations to be prescribed by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 24, 39 Stat. 379; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 915**F. F. L. Act § 24****Disposition of reserve on liquidation**

Whenever any farm loan association shall be voluntarily liquidated a sum equal to its reserve account as herein required shall be paid to and become the property of the Federal land bank in which such loan association may be a shareholder. (*July 17, 1916, ch. 245, § 24, 39 Stat. 379.*)

Defaulted Farm Loans**12 U. S. C. § 921****F. F. L. Act § 25****Mortgage held by Federal land bank; notice to indorsing association; making good default**

If there shall be default under the terms of any indorsed first mortgage held by a Federal land bank under the provisions of this chapter the national farm loan association through which said mortgage was received by said Federal land bank shall be notified of said default. Said

association may thereupon be required, within 30 days after such notice, to make good such default, either by payment of the amount unpaid thereon in cash or by the substitution of an equal amount of Federal farm loan bonds, with all unmatured coupons attached. (*July 17, 1916, ch. 245, § 25, 39 Stat. 380; Mar. 4, 1923, ch. 252, title III, § 310, 42 Stat. 1477.*)

Exemption from Taxation

12 U. S. C. § 931

F. F. L. Act § 26

Federal land banks; national farm loan associations; mortgages and bonds as instrumentalities of Government

Every Federal land bank and every national farm loan association, including the capital and reserve or surplus therein and the income derived therefrom, shall be exempt from Federal, State, municipal, and local taxation, except taxes upon real estate held, purchased, or taken by said bank or association under the provisions of sections 761 and 781 of this title. First mortgages executed to Federal land banks, or to joint stock land banks, and farm loan bonds issued under the provisions of this chapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation. (*July 17, 1916, ch. 245, § 26, 39 Stat. 380.*)

All income (except interest) derived from mortgages made, or obligations issued, after May 28, 1938, by a joint stock land bank shall (notwithstanding section 26 of the Federal Farm Loan Act; 12 U. S. C. 931-3) be included in gross income. (26 U. S. C. 76.)

Interest upon obligations, and dividends, earnings, or other income from shares, certificates, stock, or other evidences of ownership, and gain from the sale or other disposition of such obligations and evidences of ownership issued on or after March 28, 1942, by the United States or any agency or instrumentality thereof have no exemption, as such, and loss from the sale or other disposition of such obligations or evidences of ownership shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. (31 U. S. C. 742a.)

12 U. S. C. § 932

F. F. L. Act § 26

Joint stock land banks; State taxation of shareholder, limitations on

Nothing in sections 931—933 of this title shall prevent the shares in any joint stock land bank from being included in the valuation of the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which the bank is located; but such assessment and taxation shall be in manner and subject to the conditions and limitations contained in section 548 of this title with reference to the shares of national banking associations. (*July 17, 1916, ch. 245, § 26, 39 Stat. 380.*)

12 U. S. C. § 933**F. F. L. Act § 26****Federal and joint stock land banks;
real property not exempt**

Nothing in sections 931—933 of this title shall be construed to exempt the real property of Federal and joint stock land banks and national farm loan associations from either State, county, or municipal taxes, to the same extent, according to its value, as other real property is taxed. (*July 17, 1916, ch. 245, § 26, 39 Stat. 380.*)

Investment in Farm Loan Bonds**12 U. S. C. § 941****F. F. L. Act § 27****Fiduciary and trust funds;
security for public deposits**

Farm loan bonds issued under the provisions of this chapter by Federal land banks or joint stock land banks shall be a lawful investment for all fiduciary and trust funds, and may be accepted as security for all public deposits. (*July 17, 1916, ch. 245, § 27, 39 Stat. 380.*)

12 U. S. C. § 942**F. F. L. Act § 27****Buying and selling by member banks
of Federal Reserve System**

Any member bank of the Federal Reserve System may buy and sell farm loan bonds issued under the authority of this chapter. (*July 17, 1916, ch. 245, § 27, 39 Stat. 380.*)

12 U. S. C. § 943**F. F. L. Act § 27****Buying and selling by reserve banks**

Any Federal reserve bank may buy and sell farm loan bonds issued under this chapter to the same extent and subject to the same limitations placed upon the purchase and sale by said banks of State, county, district, and municipal bonds under section 355 of this title. (*July 17, 1916, ch. 245, § 27, 39 Stat. 380.*)

Examinations**12 U. S. C. § 951****F. F. L. Act § 28****Farm credit examiners; appointment; number**

The Farm Credit Administration shall appoint as many farm credit examiners as in its judgment may be required to make careful examinations of the banks and associations permitted to do business under this subchapter and subchapter III of this chapter. (*July 17, 1916, ch.*

245, § 28, 39 Stat. 381; *Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 20, 50 Stat. 710.*)

12 U. S. C. § 952**F. F. L. Act § 28****Requirements, responsibilities, and penalties applicable to examiners; examinations; reports**

Farm credit examiners shall be subject to the same requirements, responsibilities, and penalties as are applicable to national bank examiners under chapters 2 and 3 of this title and other provisions of law. Whenever directed by the Farm Credit Administration, said examiners shall examine the condition of any national farm loan association and report the same to the Land Bank Commissioner. They shall examine and report the condition of every Federal land bank and joint stock land bank at least once each year. (*July 17, 1916, ch. 245, § 28, 39 Stat. 381; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273; Aug. 19, 1937, ch. 704, § 20, 50 Stat. 710; July 12, 1943, ch. 215, § 1, 57 Stat. 424.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 953**F. F. L. Act § 28****Salaries of examiners**

Farm credit examiners shall receive salaries to be fixed by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 28, 39 Stat. 381; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 20, 50 Stat. 710.*)

Receivers and Conservators**12 U. S. C. § 961****F. F. L. Act § 29****National farm loan associations; institution and conduct of receivership; duties and powers of receivers**

Upon receiving satisfactory evidence that any national farm loan association has failed to meet its outstanding obligations of any description the Farm Credit Administration may forthwith declare such association insolvent and appoint a receiver and require of him such bond and security as it deems proper: *Provided*, That no national farm loan association shall be declared insolvent by said administration until the total amount of defaults of current interest and amortization installments on loans indorsed by national farm loan associations shall amount to at least \$150,000 in the farm credit district, unless such association shall have been in default for a period of two years. Such receiver, under the direction of the Farm Credit Administration, shall take possession of the

books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to it, and, with the approval of the Farm Credit Administration, or upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like approval or order, may sell all the real and personal property of such association, on such terms as the Farm Credit Administration or said court shall direct. (*July 17, 1916, ch. 245, § 29, 39 Stat. 381; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 5 (a), 50 Stat. 704.*)

12 U. S. C. § 962

F. F. L. Act § 29

Disposition of moneys collected by receiver; reports

Such receiver shall pay over all money so collected to the Treasurer of the United States, subject to the order of the Farm Credit Administration, and also make report to said administration of all his acts and proceedings. The Secretary of the Treasury shall have authority to deposit at interest any money so received. (*July 17, 1916, ch. 245, § 29, 39 Stat. 381; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 963

F. F. L. Act § 29

Federal and joint stock land banks; institution and conduct of receivership

Upon default of any obligation, Federal land banks and joint stock land banks may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961—963 and 964—967 of this title regarding national farm loan associations. (*July 17, 1916, ch. 245, § 29, 39 Stat. 381; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 964

F. F. L. Act § 29

National farm loan associations; disposition of stock in Federal land bank

If any national farm loan association shall be declared insolvent and a receiver shall be appointed therefor by the Farm Credit Administration, the stock held by it in the Federal land bank of its district shall be canceled without impairment of its liability and all payments on such stock, with accrued dividends, if any, since the date of the last dividend shall be first applied to all debts of the insolvent farm loan association to the Federal land bank and the balance, if any, shall be paid to the receiver of said farm loan association: *Provided*, That in estimating said debts contingent liabilities incurred by national farm loan associations under the

provisions of this chapter on account of default of principal or interest of indorsed mortgages shall be estimated and included as a debt, and said contingent liabilities shall be determined by agreement between the receiver and the Federal land bank of the district, subject to the approval of the Farm Credit Administration, and if said receiver and said land bank cannot agree, then by the decision of the Land Bank Commissioner, and the amount thus ascertained shall be deducted in accordance with the provisions of sections 961—963 and 964—967 of this title from the amount otherwise due said national farm loan association for said canceled stock. Whenever the capital stock of a Federal land bank shall be reduced, the board of directors shall cause to be executed a certificate to the Farm Credit Administration, showing such reduction of capital stock, and, if said reduction shall be due to the insolvency of a national farm loan association, the amount repaid to such association. (*July 17, 1916, ch. 245, § 29, 39 Stat. 381; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 965

F. F. L. Act § 29

Voluntary liquidation; consolidation of farm loan associations

No national farm loan association, Federal land bank or joint stock land bank shall go into voluntary liquidation without the written consent of the Farm Credit Administration, but national farm loan associations may consolidate under rules and regulations promulgated by the Farm Credit Administration. (*July 17, 1916, ch. 245, § 29, 39 Stat. 381; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 966

F. F. L. Act § 29

National farm loan associations; disposition of stock in Federal land bank upon voluntary liquidation; personal liability of members

Upon liquidation of any national farm loan association, the stock in the Federal land bank held by such association shall be canceled and the Federal land bank shall thereupon issue to the borrowers through such association an amount of stock in the Federal land bank equal to the amount of stock held by such borrowers in the liquidated association, such stock to be held by the bank as collateral to the loans of such borrowers and to be paid off and retired at par in the same manner as stock held by borrowers in farm loan associations, and the Federal land bank shall pay to the borrowers holding such stock the same dividends as are paid to national farm loan associations by such bank. The personal liability of the stockholders in such liquidated association to the association shall survive such liquidation and shall be vested

in the bank in that district, which may enforce the same as fully as the association could if in existence. (*July 17, 1916, ch. 245, § 29 (par.), as added Mar. 4, 1923, ch. 252, title III, § 311, 42 Stat. 1478.*)

12 U. S. C. § 967**F. F. L. Act § 29****Conservator in lieu of receiver—****(a) Appointment; compensation; expenses**

Upon receiving satisfactory evidence that any national farm loan association has failed to meet its outstanding obligations of any description, and that it will be to the best interests of its creditors and stockholders for the association to continue in business, the Farm Credit Administration may, in its discretion, in lieu of appointing a receiver as provided in sections 961—963 and 964—966 of this title, appoint a conservator for such association and require of him such bond and security as the Administration may deem proper. The person so appointed shall be a land bank appraiser appointed under the authority of sections 651, 656 and 658—664 of this title: *Provided, however,* That the Farm Credit Administration may, in its discretion, appoint some other qualified person. Any land bank appraiser appointed as a conservator shall serve without any additional compensation. Any other person appointed as a conservator shall receive such compensation as the Farm Credit Administration may authorize. Such compensation and all necessary and proper expenses of any such conservatorship shall be paid out of the assets of such association and shall be a lien thereon which shall be prior to any other lien.

(b) Conservation of assets; preparation of report of association's financial condition

The conservator, under the direction of the Farm Credit Administration, may, when directed so to do, take possession of the books, records, and assets of every description of such association, and take such action as may be necessary to conserve such assets pending final determination of the financial condition of the association and the conditions under which it may be permitted to continue in business. Such conservator shall at the earliest practicable date make such investigations as shall be necessary to enable him to prepare an accurate report on the financial condition of such association. In preparing such report he shall value the association's assets and determine its indebtedness: *Provided,* That in determining said indebtedness contingent liabilities incurred by the association under the provisions of this chapter on endorsed mortgages shall be estimated and included as a debt. On the basis of said evaluation of the association's assets and indebtedness, the conservator shall determine the fair book value of the outstanding stock of said association and the claims of any retired shareholders based on

their previous stock ownership. Upon its completion said report shall be submitted to the Federal land bank of the district and said bank shall thereupon indicate its approval thereof or note any exceptions thereto and submit such report together with its exceptions, if any, to the Farm Credit Administration for consideration.

**(c) Approval or disapproval of report;
powers of Administration**

If said report is approved, in whole or in part, by the Farm Credit Administration, upon recommendation of the Federal land bank of the district said Administration shall then decide whether such association shall be permitted to pay off and retire its capital stock at its fair book value, upon full payment of the mortgage loans in connection with which such stock was issued originally, and to settle on the same basis the claims of any of its stockholders who have previously paid their loans in full, but have not received credit for, or the proceeds of their stock in such association. At the same time the Farm Credit Administration shall also decide whether it will permit said association to admit new members pursuant to section 724 of this title. If the decision of said Administration is in the affirmative, it may terminate the conservatorship and turn the affairs of the association back to its board of directors. If said report is not approved or the decision of said Administration is in the negative, it may, in its discretion, terminate the conservatorship and permit such association to resume the transaction of its business subject to such terms, conditions, restrictions, and limitations as it may prescribe for the protection of the rights of creditors and stockholders, or said Administration may appoint a receiver for the association as provided in sections 961–963 and 964–966 of this title.

(d) Settlement with shareholders

Any settlement made with a retiring or retired shareholder on the basis of the fair book value of the stock of the association pursuant to this section shall be made only on condition that said shareholder agrees to accept such settlement as payment in full. If any shareholder or former shareholder does not desire to settle on such basis, he may, in lieu thereof, be given a participation certificate which will entitle him to share pro rata, on the basis of the number of shares of stock which he owned in the association, in the distribution of any assets of the association which is made after all of its indebtedness to creditors has been satisfied. The Federal land bank of the district may pay to the association from the proceeds of bank stock retired in connection with the payment in full of loans endorsed by such association an amount sufficient to permit the association to make the settlements provided for in this section and any balance of such proceeds shall be retained by the bank and applied as a credit on the indebtedness of the association to it.

**(e) Readjustment of fair book value
of under par stock**

After any determination by the Farm Credit Administration as provided in this section, that the fair book value of the stock of a national farm loan association is less than the par value thereof, periodically thereafter any increase in the fair book value of said stock resulting from earnings of the association and actual recoveries in excess of the valuations used by the Farm Credit Administration in determining the fair book value of the stock of such association, as provided in this section, shall, under rules and regulations of the Farm Credit Administration, be apportioned ratably on a per-share basis to all outstanding stock or participation certificates having a fair book value less than par until the fair book value of all such stock or participation certificates is equal to the par value thereof.

**(f) Continued losses; appointment
of another conservator or receiver**

In the event that the indebtedness, as determined by the conservator, of an association which has been under conservatorship pursuant to this section increases in excess of the earnings of such association, the Farm Credit Administration may, in its discretion, again appoint a conservator for the association, or it may appoint a receiver as provided in sections 961—963 and 964—966 of this title. (*July 17, 1916, ch. 245, § 29 (pars.), as added Aug. 19, 1937, ch. 704, § 25 (d), 50 Stat. 713.*)

State Legislation Impairing Security of Farm Loans

12 U. S. C. § 971

F. F. L. Act § 30

**Examination to ascertain adequacy
of safeguards to mortgagee**

It shall be the duty of the Land Bank Commissioner to make examination of the laws of every State of the United States and to inform the Farm Credit Administration as rapidly as may be whether in his judgment the laws of each State relating to the conveying and recording of land titles, and the foreclosure of mortgages or other instruments securing loans, as well as providing homestead and other exemptions and granting the power to waive such exemptions as respects first mortgages, are such as to assure the holder thereof adequate safeguards against loss in the event of default on loans secured by any such mortgages. (*July 17, 1916, ch. 245, § 30, 39 Stat. 382; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 972**F. F. L. Act § 30****Effect of insufficient protection
on mortgages covering land in State;
assistance in examining laws**

Pending the making of such examination in the case of any State, the Farm Credit Administration may declare first mortgages on farm lands situated within such State ineligible as the basis for an issue of farm loan bonds; and if said examination shall show that the laws of any such State afford insufficient protection to the holder of first mortgages of the kinds provided in this subchapter, said Farm Credit Administration may declare said first mortgages on land situated in such State ineligible during the continuance of the laws in question. In making his examination of the laws of the several States and forming his conclusions thereon said Land Bank Commissioner may call upon the office of the Attorney General of the United States for any needed legal advice or assistance, or may employ special counsel in any State where he considers such action necessary. (*July 17, 1916, ch. 245, § 30, 39 Stat. 382; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 973**F. F. L. Act § 30****Statement to State Executive**

At the request of the Executive of any State the Farm Credit Administration shall prepare a statement setting forth in what respects the requirements of said administration can not be complied with under the existing laws of such State. (*July 17, 1916, ch. 245, § 30, 39 Stat. 382; Ex. Ord. No. 6084, Mar. 27, 1933.*)

Government Deposits in Land Banks**12 U. S. C. § 991****F. F. L. Act § 32****Interest rate; security; maximum amount**

The Secretary of the Treasury is authorized, in his discretion, upon the request of the Farm Credit Administration, to make deposits for the temporary use of any Federal land bank, out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the Treasury a certificate of indebtedness for any such deposits, bearing a rate of interest not to exceed the current rate charged

for other Government deposits, to be secured by farm loan bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the discretion of the Secretary of the Treasury. The aggregate of all sums so deposited by the Secretary of the Treasury shall not exceed the sum of \$6,000,000 at any one time. (*July 17, 1916, ch. 245, § 32, 39 Stat. 384; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 992**F. F. L. Act § 32**

Government guaranty of interest on qualified Federal land bank bonds issued during limited period; use of proceeds of such bonds; limitation on aggregate amount of such bonds; payment of interest by Government upon inability of issuing bank; rights of Government after such payment

Until such time as the Land Bank Commissioner determines that Federal farm loan bonds (other than those issued under this paragraph) are readily salable in the open market at a yield not in excess of 4 per centum per annum, but in no case more than two years after May 12, 1933, Federal land banks may issue farm loan bonds as authorized under this subchapter, for the purpose of making new loans, or for purchasing mortgages or exchanging bonds for mortgages as provided in paragraph "Second" of section 781 of this title. The aggregate amount of the bonds issued under this paragraph shall not exceed \$2,000,000,000, and such bonds shall be issued in such denominations as the Land Bank Commissioner shall prescribe, shall bear interest at a rate not in excess of 4 per centum per annum, and shall be fully and unconditionally guaranteed as to interest by the United States, and such guaranty shall be expressed on the face thereof. In the event that it shall appear to the Land Bank Commissioner that the issuing bank or banks will be unable to pay upon demand, when due, the interest on any such bonds, the Secretary of the Treasury shall, upon the request of the Commissioner, pay the amount thereof, which is authorized to be appropriated out of any money in the Treasury not otherwise appropriated. Upon the payment of such interest by the Secretary of the Treasury the amount so paid shall become an obligation to the United States of the issuing bank or banks and shall bear interest at the same rate as that borne by the bonds upon which the interest has been so paid. After the expiration of one year from May 12, 1933, if in the opinion of the Land Bank Commissioner any part of the proceeds of the bonds authorized to be issued under this paragraph is not required for the purpose of making new loans or for purchasing mortgages or exchanging bonds for mort-

gages as herein provided, such bonds may be issued within the maximum limit herein specified for the purpose of refinancing any outstanding issues of Federal farm loan bonds; but no such bonds shall be issued after two years from May 12, 1933, for the purpose of such refinancing. (*July 17, 1916, ch. 245, § 32 (par.), as added May 12, 1933, ch. 25, title II, § 21, 48 Stat. 41, and amended June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 992a

Limitation of section 992

After ninety days after January 31, 1934, no Federal land bank shall issue any bonds under the provisions of section 992 of this title, subject to the guarantee of interest on such bonds by the United States except for the purpose of refinancing any bond which is or has been issued subject to such guarantee of interest. (*Jan. 31, 1934, ch. 7 § 5, 48 Stat. 346.*)

12 U. S. C. § 993

F. F. L. Act § 32

Bonds issued under section 992; delivery in payment of certain mortgages

Any borrower who obtains a loan from a Federal land bank after May 12, 1933, may, at any time after the expiration of five years from the date such loan was made, tender to such bank on any regular installment date, bonds issued under section 992 of this title in an amount not to exceed the unpaid principal of his loan, and the bonds so tendered shall be accepted by the bank at par in payment of any part of such unpaid principal. (*July 17, 1916, ch. 245, § 32 (par.), as added May 12, 1933, ch. 25, title II, § 21, 48 Stat. 41.*)

Limitation of Court Decisions

12 U. S. C. § 1011

F. F. L. Act § 34

Limitation of court decisions respecting validity of provisions

If any clause, sentence, paragraph, or part of this subchapter or of subchapter III of this chapter shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said subchapters, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered. (*July 17, 1916, ch. 245, § 34, 39 Stat. 384.*)

Amendments to Chapter

12 U. S. C. § 1012

F. F. L. Act § 35

Reservation of right to amend

The right to amend, alter, or repeal this subchapter or subchapter III of this chapter is expressly reserved. (*July 17, 1916, ch. 245, § 35, 39 Stat. 384.*)

Subchapter II—LOANS TO FARMERS BY LAND BANK COMMISSIONER

12 U. S. C. § 1016

E. F. M. Act § 32

(a) Loans to farmers by Land Bank Commissioner; security therefor

The Reconstruction Finance Corporation is authorized and directed to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans as hereinafter provided to any farmer, secured by a first or second mortgage upon the whole or any part of the farm property, real or personal, including crops, of the farmer.

This subsection is omitted in the United States Code as having been repealed, but act June 30, 1947, ch. 166, title II, § 206 (h), 61 Stat. 208, repeals only so much thereof as authorizes or directs the Reconstruction Finance Corporation to make funds available to the Land Bank Commissioner.

(b) Maximum loan; value of security for loan; valuation of farm property

The amount of the mortgage given by any farmer, together with all prior mortgages or other evidences of indebtedness secured by such farm property of the farmer, shall not exceed 75 per centum of the normal value thereof, as determined upon an appraisal made pursuant to the preceding subchapter, as amended; nor shall a loan in excess of \$7,500, be made to any one farmer. For the purposes of this section, farm property may be valued at an amount representing a prudent investment, consistent with community standards and rentals, if (1) the person occupying the property is not entirely dependent upon farm income for his livelihood but receives a part of his income from other dependable sources, and (2) the farm income from the property, together

with earnings from other dependable sources ordinarily available in the community to a person operating such property, would be sufficient to support his family, to pay operating expenses and fixed charges, and to discharge the interest and amortization payments on the loan.

(c) Provisions to be included in mortgage; interest rate; repayment of principal in installments; maximum terms of loans as affected by character of security; privilege of deferring principal payments during first three years of loan

Every mortgage made under this section shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments, sufficient to cover (1) interest on unpaid principal at a rate of 1 per centum per annum higher than the rate on loans through national farm loan associations made at the same time by the Federal land bank in the farm credit district in which the security for the loan under this section is located: *Provided, however,* That loans guaranteed under section 694—694e of Title 38 may be made at such lower rate as may be necessary to qualify them for such guaranty and (2) such payments equal in amount to be applied on principal as will extinguish the debt within an agreed period of not more than ten years or, in the case of a first or second mortgage secured wholly by real property within an agreed period no greater than that for which loans may be made under the preceding subchapter, from the date the first payment on principal is due: *Provided,* That when in the judgment of the Land Bank Commissioner conditions justify it, any mortgage made under this section may provide that during the first three years the loan is in effect payments of interest only may be required if the borrower shall not be in default with respect to any other condition or covenant of his mortgage.

(1) Substitution of Federal land bank loan

The instruments under which each loan under this section is made and security given therefor shall provide that if at any time it shall appear to the lender that the borrower may be able to obtain a Federal land bank loan on the mortgaged property, the borrower shall, on request of the lender, apply for a Federal land bank loan to pay off the loan under this section, and shall accept such loan as may be offered to him by the Federal land bank, if sufficient in amount to pay the loan under this section and pay for any stock which it is necessary for him to purchase in obtaining the loan from the Federal land bank.

(d) Requirement of waiver by prior lien holder

No loan shall be made under this section unless the holder of any prior mortgage or instrument of indebtedness secured by such farm

property arranges to the satisfaction of the Land Bank Commissioner to limit his right to proceed against the farmer and such farm property for default in payment of principal.

(e) Purposes of loans

Loans may be made under this section for any of the purposes for which Federal land banks are authorized by law to make loans, and for the following additional purpose, and none other: Refinancing, in connection with proceedings under chapter 8 of Title 11, any indebtedness, secured or unsecured, of the farmer, or which is secured by a lien on all or any part of the farm property accepted as security for the loan. The provisions of paragraph "Ninth" of section 781 of this title (relating to charges to applicants for loans and borrowers from the Federal land banks), shall, so far as practicable, apply to loans made under this section.

(f) Definitions; loans to corporations; exceptions

As used in this section, (1) the term "farmer" means any person who is at the time, or shortly to become, bona fide engaged in farming operations, either personally or through an agent or tenant, or the principal part of whose income is derived from farming operations or livestock raising, and includes a personal representative of a deceased farmer; (2) the term "person" includes an individual or a corporation engaged in the raising of livestock; and (3) the term "corporation" includes any incorporated association; but no such loan shall be made to a corporation (A) unless all the stock of the corporation is owned by individuals themselves personally actually engaged in the raising of livestock on the land to be mortgaged as security for the loan, except in a case where the Land Bank Commissioner permits the loan if at least 75 per centum in value and number of shares of the stock of the corporation is owned by the individuals personally actually so engaged, and (B) unless the owners of at least 75 per centum in value and number of shares of the stock of the corporation assume personal liability for the loan. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for.

(g) Loans by Commissioner on behalf of Federal Farm Mortgage Corporation; loans in cash or bonds; amount available

Until July 1, 1947, the Land Bank Commissioner shall, in his name, make loans under this section on behalf of the Federal Farm Mortgage Corporation, and may make such loans in cash or in bonds of the corporation, or if acceptable to the borrower, in consolidated farm loan bonds; but no such loans shall be made by him after July 1, 1947, except

for the purpose of refinancing loans previously made by him under this section. As much as may be necessary of the assets of the corporation, including the bonds (and proceeds thereof) issued under section 1020c of this title, may be used for the purposes of this section.

(h) Execution of instruments by Federal land banks; presumption of authority

Any Federal land bank, when duly authorized by the Land Bank Commissioner and the Federal Farm Mortgage Corporation, shall have the power to execute any instrument relating to any mortgage taken to secure a loan made or to be made under this section, or relating to any property included in any such mortgage, or relating to any property acquired by the Land Bank Commissioner and/or the Federal Farm Mortgage Corporation. Any such instrument heretofore or hereafter executed on behalf of the Land Bank Commissioner and/or the Federal Farm Mortgage Corporation by a Federal land bank, through its duly authorized officers, shall be conclusively presumed to have been duly authorized by the Land Bank Commissioner and the Federal Farm Mortgage Corporation.

(i) Rate of interest payable on certain installment dates

Notwithstanding the foregoing provisions of this section, the rate of interest on loans made under this section shall not exceed 4 per centum per annum for all interest payable on installment dates occurring on or after July 22, 1937, and prior to July 1, 1940, and shall not exceed 3½ per centum per annum for all interest payable on installment dates occurring on or after July 1, 1940, and prior to July 1, 1944, and shall not exceed 4 per centum per annum for all interest payable on installment dates occurring on or after July 1, 1944, and prior to July 1, 1945. Notwithstanding the interest rate provided for in so-called purchase-money mortgages and real estate sales contracts taken by the Federal Farm Mortgage Corporation, the rate of interest payable on such mortgages and contracts shall not exceed 4 per centum per annum for all interest payable on installment dates occurring on and after July 1, 1942, and prior to July 1, 1944. (*May 12, 1933, ch. 25, title II, § 32, 48 Stat. 48; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273; Jan. 31, 1934, ch. 7, §§ 9, 10, 48 Stat. 347; June 11, 1934, ch. 446, 48 Stat. 929; May 28, 1935, ch. 150, § 32, 49 Stat. 300; June 3, 1935, ch. 164, § 2, 49 Stat. 313; July 22, 1937, ch. 516, § 2, 50 Stat. 521; Aug. 19, 1937, ch. 704, §§ 13, 14, 50 Stat. 708; June 16, 1938, ch. 462, § 2, 52 Stat. 709; Feb. 1, 1940, ch. 19, 54 Stat. 19; June 29, 1940, ch. 441, § 1, 54 Stat. 684; June 3, 1942, ch. 321, 56 Stat. 306; June 27, 1942, ch. 449, § 2, 56 Stat. 392; June 26, 1943, ch. 146, 57 Stat. 196; June 30, 1944, ch. 329, 58 Stat. 646; June 30, 1945, ch. 204, §§ 11—13, 59 Stat. 269;*

July 12, 1946, ch. 570, § 1, 60 Stat. 532; June 30, 1947, ch. 166, title II, § 206 (h), 61 Stat. 208.)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

Transfer of funds and proceeds thereof made available to Land Bank Commissioner under this section, and mortgages and credit instruments taken by Commissioner, to Federal Farm Mortgage Corporation, see section 1020b of this title.

12 U. S. C. § 1017

E. F. M. Act § 33

Rules and regulations; appointment, employment, and compensation of officers, employees, and agents

The Land Bank Commissioner is authorized to make such rules and regulations, and to appoint, employ, and fix the compensation of such officers, employees, attorneys, and agents as may be necessary to carry out the purposes of this subchapter, and to make the relief contemplated by this subchapter immediately available, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States: *Provided*, That no salary or compensation in excess of \$10,000 shall be paid to any person employed under the terms of the foregoing section. (*May 12, 1933, ch. 25, title II, § 33, 48 Stat. 49; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 1018

E. F. M. Act § 34

Facilities of Federal land banks and national farm loan associations available to Commissioner

The Federal land banks and the national farm loan associations are authorized, upon request of the Land Bank Commissioner, to make available to him their services and facilities to aid in administering the provisions of this subchapter. (*May 12, 1933, ch. 25, title II, § 34, 48 Stat. 49; June 16, 1933, ch. 98, title VIII, § 80 (a), 48 Stat. 273.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 1019

E. F. M. Act § 35

Penalties for false representation in obtaining loan

Any person who shall knowingly make any material false representation for the purpose of obtaining any loan under sections 1016—1019 of this title, or in assisting in obtaining any such loan, shall, upon conviction thereof, be fined not more than \$1,000, or imprisoned not more than six months, or both. (*May 12, 1933, ch. 25, title II, § 35, 48 Stat. 49.*)

Subchapter II—A—FEDERAL FARM MORTGAGE CORPORATION

Transfer of Federal Farm Mortgage Corporation and its functions and activities to Farm Credit Administration to be administered therein under the general direction and supervision thereof, see section 636f (a) of this title.

Assets of Federal Farm Mortgage Corporation, except cash, accounts receivable, and reserved mineral interests, were purchased by Federal land banks as of June 30, 1955, pursuant to section 781 (Twentieth) of this title.

Reserved mineral interests of Federal Farm Mortgage Corporation, which are not sold to surface owners pursuant to application filed before September 6, 1957, are required to be transferred to Secretary of the Interior to be administered under the mineral laws of the United States, as provided in section 1035 of Title 7.

12 U. S. C. § 1020

F. F. M. C. Act § 1

Establishment of corporation; directors; bylaws; regulations; officers and employees

There is established a corporation to be known as the "Federal Farm Mortgage Corporation", in this subchapter referred to as the "corporation." The principal office of the corporation shall be located in the District of Columbia and the management of the corporation shall be vested in a board of directors consisting of the Secretary of the Treasury, or an officer of the Treasury designated by him, the Governor of the Farm Credit Administration, in this subchapter referred to as the "Governor", and the Land Bank Commissioner. The directors shall receive no additional compensation for their services as directors of the corporation, but may be allowed actual necessary traveling and subsistence expenses when engaged in the business of the corporation outside of the District of Columbia. The Governor shall be the chairman of the board of directors. The directors shall have power to adopt such bylaws, rules, regulations, and amendments thereto as they deem necessary for the conduct of the business of the corporation authorized under this subchapter. The directors shall have power, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States, to employ and fix the compensation and duties of such agents, officers, and employees of the corporation as may be necessary to carry out the powers and duties conferred upon the corporation by this subchapter, to require bonds of them and fix the penalties thereof and dismiss them at pleasure, and to prescribe the manner in which the obligations of the corporation shall be incurred and its expenses allowed and paid, but the rates of compensation of such agents, officers, and employees of the corporation shall not exceed the rates of compensation prescribed for comparable duties by the Classification Act of 1949, as amended. (*Jan. 31, 1934,*

ch. 7, § 1, 48 Stat. 344; Oct. 28, 1949, ch. 782, title XI, § 1106 (a), 63 Stat. 972.)

Abolishment of office of Land Bank Commissioner, and designation of an officer or employee of the Farm Credit Administration to serve as a member of the board of directors of the Federal Farm Mortgage Corporation, see section 636f (a) of this title.

12 U. S. C. § 1020a

F. F. M. C. Act § 2

Period of succession; powers; free use of mails; use of Government facilities

The corporation shall have succession until dissolved by Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, and to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of its business; and shall have such other powers as may be necessary and incident to carrying out its powers and duties under this subchapter. The corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The corporation, with the consent of any board, commission, independent establishment, or executive department of the Government, may avail itself of the use of information, services, facilities, officers, agents, and employees thereof, in carrying out the provisions of this subchapter. (*Jan. 31, 1934, ch. 7, § 2, 48 Stat. 345.*)

12 U. S. C. § 1020a-1

Capital investment expenditures as nonadministrative expenses

All expenditures which under the accounting system prescribed for the Federal Farm Mortgage Corporation by the General Accounting Office are to be treated as capital investments, increasing the book value of acquired fixed property (real estate and chattel), shall be considered as nonadministrative expenses for the purposes of section 712a of Title 15. (*Sept. 21, 1944, ch. 412, title VI, § 603, 58, Stat. 741.*)

12 U. S. C. § 1020a-2

Maximum amount for administrative expenses; exclusions; annual dividends

Not to exceed \$550,000 (to be computed on an accrual basis) of the funds of the Corporation shall be available for administrative expenses, including employment on a contract or fee basis of persons, firms, and corporations for the performance of special services, including legal services, and the use of the services and facilities of Federal land banks, national farm loan associations, Federal Reserve banks,

and agencies of the Government as authorized by sections 1020—1020h of this title, and said total sum shall be exclusive of services and facilities furnished and examinations made by the Farm Credit Administration, interest expense, and expenses in connection with the acquisition, operation, maintenance, improvement, protection, or disposition of real or personal property belonging to the Corporation or in which it has an interest: *Provided*, That promptly after June 30 of each fiscal year all cash funds in excess of the estimated operating requirements for the current fiscal year shall be declared as dividends and paid into the general fund of the Treasury. (*June 4, 1956, ch. 355, title IV, § 401, 70 Stat. 239.*)

Section was enacted as a part of the Department of Agriculture and Farm Credit Administration Appropriation Act, 1957.

12 U. S. C. § 1020b

F. F. M. C. Act § 3

Capital; amount; subscription by United States; repayment by corporation

The capital of the corporation shall be in the sum of \$200,000,000, which shall be subscribed by the Governor on behalf of the United States in such amounts and at such times as he deems necessary for the purposes of the corporation. For the purpose of such capital subscription, the funds and proceeds thereof made available to the Land Bank Commissioner under section 1016 of this title and the mortgages taken by the Commissioner and the credit instruments secured thereby are transferred to the corporation. The Federal Farm Mortgage Corporation is authorized to repay to the Secretary of the Treasury on behalf of the United States from time to time such portions of the amounts subscribed to the capital stock of the Corporation as are found by the board of directors to be in excess of the capital necessary to enable the Corporation to carry out its functions as authorized by law. The proceeds of such repayments shall be held in the Treasury of the United States as a fund available for subscription, by the Governor on behalf of the United States with the approval of the Secretary of the Treasury, to the capital of the Corporation when, in the judgment of the directors of the Corporation, additional subscriptions to its capital are necessary. (*Jan. 31, 1934, ch. 7, § 3, 48 Stat. 345; June 25, 1940, ch. 427, § 4, 54 Stat. 573; June 30, 1945, ch. 204, § 14, 59 Stat. 269; July 12, 1946, ch. 570, § 2, 60 Stat. 532.*)

All but \$10,000 of the capital stock of the Federal Farm Mortgage Corporation has been retired; as provided in General Appropriation Act, 1951 (64 Stat. 595, 678), the proceeds of the retired capital stock, in the amount of \$199,990,000, have been carried to the surplus fund and covered into the Treasury.

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 1020c**F. F. M. C. Act § 4 (a)****Bonds, aggregate amount; guaranty by United States; purchase and sale of by United States; exchange of for consolidated farm loan bonds**

With the approval of the Secretary of the Treasury, the corporation is authorized to issue and have outstanding at any one time bonds in an aggregate amount not exceeding \$2,000,000,000. Such bonds shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices, as may be prescribed by the corporation, with the approval of the Secretary of the Treasury. Such bonds shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof, and such bonds shall be lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In the event that the corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such bonds, the Secretary of the Treasury shall pay to the holder the amount thereof which is authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such bonds. The Secretary of the Treasury, in his discretion, is authorized to purchase any bonds of the corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Loan Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of the corporation's bonds hereunder. The Secretary of the Treasury may, at any time, sell any of the bonds of the corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the bonds of the corporation shall be treated as public debt transactions of the United States. No such bonds shall be issued in excess of the assets of the Corporation, including the assets to be obtained from the proceeds of such bonds, but a failure to comply with this provision shall not invalidate the bonds or the guaranty of the same. The corporation shall have power to purchase such bonds in the open market at any time and at any price. On such terms and conditions as may be agreed upon, the corporation may exchange such bonds, upon application of any Federal land bank for consolidated farm loan bonds of equal face value issued under subchapters I and III of this chapter, and may exchange such consolidated farm loan bonds held

by it for bonds of the corporation of equal face value. (*Jan. 31, 1934, ch. 7, § 4 (a), 48 Stat. 345; Apr. 27, 1934, ch. 168, § 14, 48 Stat. 647.*)

12 U. S. C. § 1020c-1

Same; limitation on aggregate bond amount

The aggregate amount of bonds the Corporation may issue and have outstanding at any one time shall not exceed \$500,000,000. (*June 4, 1956, ch. 355, title IV, § 401, 70 Stat. 240.*)

Section is from Department of Agriculture and Farm Credit Administration Appropriation Act, 1957. A similar limitation was contained in appropriation acts for prior years, beginning with 1949.

12 U. S. C. §1020d

F. F. M. C. Act § 4 (b)

Purchase of consolidated farm loan bonds; loans to Federal and joint stock land banks; investment in mortgages; extensions; sale and assignment of notes and mortgages

The corporation is further authorized to purchase from time to time, for cash, such consolidated farm loan bonds at such prices and upon such terms as may be approved by the board of directors of the corporation; to make loans to Federal land banks and joint stock land banks on the security of real estate mortgages, sheriff's certificates, sales contracts and real estate, upon such terms and conditions as shall be prescribed by the board of directors of the corporation: *Provided, however,* That loans outstanding to joint stock land banks under this section shall not at any one time exceed in the aggregate \$10,000,000; to make loans to Federal land banks on the security of consolidated farm loan bonds; and to invest its funds in mortgage loans made under section 1016 of this title.

When in the judgment of the directors conditions justify it, the corporation shall have power to extend, in whole or in part, any unpaid obligation under the terms of any mortgage, and to accept payment of any such obligation together with interest thereon, at a rate not exceeding 5 per centum per annum, during such period and in such amounts as may be agreed upon at the date of making such extension. The Corporation is authorized and empowered to sell and assign, without recourse and without warranty, its notes and mortgages representing loans made by the Land Bank Commissioner pursuant to section 1016 of this title, to the Federal land bank located in the farm credit district in which the mortgaged farm properties are situated and to sell and assign in like manner purchase money mortgages and contracts for the sale of farms held by the Federal Farm Mortgage Corporation in connection with the sale of farm property situated in such district. (*Jan. 31, 1934, ch. 7, § 4 (b), 48 Stat. 346; Aug. 19, 1937, ch. 704, §§ 2, 4, 50 Stat. 703; June 30, 1945, ch. 204, § 15, 59 Stat. 269.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

12 U. S. C. § 1020e**F. F. M. C. Act § 4 (c)****Preparation of bonds**

In order to furnish bonds for delivery by the Federal Farm Mortgage Corporation, the Secretary of the Treasury is authorized to prepare suitable bonds in such form, subject to the provisions of this subchapter, as the board of directors may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the corporation. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The corporation shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such bonds. (*Jan. 31, 1934, ch. 7, § 4 (c), 48 Stat. 346.*)

12 U. S. C. § 1020f**F. F. M. C. Act § 12****Exemptions from taxation**

(a) The corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(b) Mortgages executed to the Land Bank Commissioner and mortgages held by the Corporation, and the credit instruments secured thereby, and bonds issued by the Corporation under the provisions of this subchapter, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation (except surtaxes, estate, inheritance, and gift taxes). (*Jan. 31, 1934, ch. 7, § 12, 48 Stat. 347; Feb. 26, 1934, ch. 33, 48 Stat. 360.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of this title.

Interest upon obligations, and dividends, earnings, or other income from shares, certificates, stock, or other evidences of ownership, and gain from the sale or other disposition of such obligations and evidences of ownership issued on or after March 28, 1942, by the United States or any agency or instrumentality thereof have no exemption, as such, and loss from the sale or other disposition of such obligations or evidences of ownership shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. (31 U. S. C. 742a.)

12 U. S. C. § 1020g**F. F. M. C. Act § 17****Severability clause;
reservation of right to amend**

(a) If any provision of this subchapter, or the application thereof to any person or circumstances, is held invalid, the remainder of the

subchapter, and the application of such provision to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this subchapter is expressly reserved. (*Jan. 31, 1934, ch. 7, § 17, 48 Stat. 348.*)

12 U. S. C. § 1020h**F. F. M. C. Act § 18****Citation of subchapter**

This subchapter may be cited as the “Federal Farm Mortgage Corporation Act.” (*Jan. 31, 1934, ch. 7, § 18, 48 Stat. 349.*)

Subchapter III—FEDERAL INTERMEDIATE CREDIT BANKS

Provisions of this subchapter concerning Federal intermediate credit banks constitute title II of the Federal Farm Loan Act, act July 17, 1916, ch. 245, 39 Stat. 360, as added to that act by act Mar. 4, 1923, ch. 252, title I, 42 Stat. 1454. For complete distribution of the Federal Farm Loan Act in this code, see note under section 641 of this title.

Organization**12 U. S. C. § 1021****F. F. L. Act § 201 (a)****Number, names, and charters of banks**

The Farm Credit Administration shall have power to grant charters for twelve institutions to be known and styled as “Federal intermediate credit banks.” (*July 17, 1916, ch. 245, title II, § 201 (a), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1454, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 1022**F. F. L. Act § 201 (b)****Location; directors; officers
and employees; bylaws**

One such institution shall be established in each farm credit district in the same city as the Federal land bank of the district. The members of the several farm credit boards of the farm credit districts provided for in section 640a of this title shall be ex officio the directors of the several Federal intermediate credit banks provided for in this subchapter and shall have power, subject to the approval of the Farm Credit Administration, to employ and fix the compensation of such officers and employees of such Federal intermediate credit banks as may be necessary to carry on the business authorized by this subchapter. The directors shall have power, subject to the approval of the Farm Credit Administration, to adopt such bylaws as may be necessary for the conduct

of the business of the banks. (*July 17, 1916, ch. 245, title II, § 201 (b), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1454, and amended June 16, 1933, ch. 98, title VII, § 76 (a), 48 Stat. 271; Aug. 19, 1937, ch. 704, § 10, 50 Stat. 707; July 26, 1956, ch. 741, title I, § 104 (a), 70 Stat. 663.*)

12 U. S. C. § 1023

F. F. L. Act § 201 (c)

Corporate powers; suits by or against

Each Federal intermediate credit bank shall have all the usual powers of corporations, and shall have power to sue and be sued both in law and equity, and for purposes of jurisdiction shall be deemed a citizen of the State where it is located.

Each Federal intermediate credit bank shall have power to acquire and dispose of such property, real or personal, as may be necessary or convenient for the transaction of its business, which, however, may be leased to others for revenue purposes. (*July 17, 1916, ch. 245, title II, § 201 (c), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1454, and amended Aug. 19, 1937, ch. 704, § 26, 50 Stat. 715.*)

12 U. S. C. § 1023a

Maximum amount for administrative expenses; exclusions

Not to exceed \$1,932,000 (to be computed on an accrual basis) of the funds of the banks shall be available for administrative expenses, including the purchase of not to exceed two passenger motor vehicles for replacement only, and services performed for the banks by other Government agencies (except services and facilities furnished and examinations made by the Farm Credit Administration, and services performed by any Federal Reserve bank and by the United States Treasury in connection with the financial transactions of the banks); and said total sum shall be exclusive of interest expense, legal and special services performed on a contract or fee basis, and expenses in connection with the acquisition, operation, maintenance, improvement, protection, or disposition of real or personal property belonging to the banks or in which they have an interest. (*June 4, 1956, ch. 355, title IV, § 401, 70 Stat. 240.*)

Section was enacted as a part of the Department of Agriculture and Farm Credit Administration Appropriation Act, 1957.

12 U. S. C. § 1023b

F. C. Act 1956 § 201 (b)

Utilization of funds for administrative expenses

After January 1, 1959, the Federal intermediate credit banks may utilize their funds for administrative expenses without regard to the

limitations contained in any other Act of Congress governing the expenditure of appropriated funds. (*July 26, 1956, ch. 741, title II, § 201 (b), 70 Stat. 667.*)

12 U. S. C. § 1024**F. F. L. Act § 201 (d)****Fiscal agents for United States**

Federal intermediate credit banks, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and perform such duties as shall be prescribed by the Secretary of the Treasury. (*July 17, 1916, ch. 245, title II, § 201 (d), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1454.*)

12 U. S. C. § 1025**F. F. L. Act § 201 (e)****Insolvency; receivership**

Upon default of any obligation any Federal intermediate credit bank may be declared insolvent and placed in the hands of a receiver by the Farm Credit Administration, and proceedings shall thereupon be had in accordance with the provisions of sections 961—963 and 964—967 of this title regarding national farm loan associations. (*July 17, 1916, ch. 245, title II, § 201 (e), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1454, and amended Ex. Ord. No. 6084, Mar 27, 1933.*)

12 U. S. C. § 1026**F. F. L. Act § 201 (f)****Application for charter**

The charters to such Federal intermediate credit banks shall be granted upon application of the directors of the Federal land banks, which application shall be in such form as the Farm Credit Administration shall prescribe. (*July 17, 1916, ch. 245, title II, § 201 (f), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1454, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 1027**F. C. Act 1956 § 101****Merger of production credit corporations
in Federal intermediate credit banks—****(a) Transfer of assets**

The production credit corporation in each farm credit district is merged in the Federal intermediate credit bank of the district and all assets, funds, contracts, property, and records belonging to such corporation, except stock in production credit associations, are transferred to and vested in such bank. All obligations and liabilities of the production credit corporation shall be assumed by the Federal intermediate credit bank of the district. Stock held by each production credit cor-

poration in production credit associations is transferred to the Governor of the Farm Credit Administration and the Governor shall cancel an equal par amount of stock of the corporation.

(b) Services to and supervision of production credit associations

In order to carry out the declared policy of this Act with respect to the production credit associations, the Farm Credit Administration shall, by appropriate provisions in the charter and bylaws, or otherwise, provide for such organization and assignment of functions within the Federal intermediate credit banks as will assure proper supervision of and assistance to the production credit associations in a manner which will enable them to make sound credit available to farmers and ranchers. The income derived from the surplus transferred from the production credit corporation to the Federal intermediate credit bank of the district shall be used to pay expenses of the bank in providing such supervision and assistance, and expenses in excess of such income may be paid out of other resources of the bank.

(c) Officers and employees

Notwithstanding any other provision of law, the employment of the officers and employees of each Federal intermediate credit bank and each production credit corporation is terminated on January 1, 1957 and the board of directors of the Federal intermediate credit bank shall, not later than sixty days prior to January 1, 1957, take all necessary action to reemploy as of January 1, 1957, such of the officers and employees so terminated in such capacities as the board determines they are qualified and needed to carry out the functions, powers, and duties of the Federal intermediate credit bank. Such reemployment shall be subject to the approval of the Farm Credit Administration. (*July 26, 1956, ch. 741, title I, § 101 (a—c), 70 Stat. 659.*)

Section 202 (a) of act July 26, 1956 (*Farm Credit Act of 1956*), provided that: "This Act [adding sections 1023b and 1027 of this title, amending sections 24, 636g, 640d (2) (B), 640h, 640l, 781, 832 (a—c), 1022, 1031, 1033, 1041, 1044, 1045, 1051, 1061, 1072, 1131c—1131g, 1131i (a), (b), (c), 1134, 1134a, 1134c, 1134j, 1138—1138c, and 1138e of this title, sections 658 and 1014 of Title 18, Crimes and Criminal Procedure, and sections 846, 856, 867, and 868 (d) of Title 31, Money and Finance, and repealing sections 1131b and 1131g—1 of this title] shall become effective on January 1, 1957, except subsections (a) and (b) of section 201 [adding sections 1023b of this title and amending sections 846, 856, 867 and 868 (d) of Title 31], which shall become effective January 1, 1959."

Section 2 of act July 26, 1956 (*Farm Credit Act of 1956*), provided that: "It is declared to be the policy of the Congress to continue to provide agriculture with a sound, dependable, and effective source of credit; to promote the efficiency of the farm credit system by merging production credit corporations in Federal intermediate credit banks and to facilitate increased farmer participation in the management, control, and ownership of the merged banks and retirement of Government capital therein; to encourage and promote the continued growth and development of the production credit associations as self-supporting cooperative lending institutions

operating on a sound credit basis with maximum local authority to determine credit needs and loan policies consistent with the maintenance of a national production credit system; and to continue to provide other financing institutions making loans to farmers and ranchers with the right to borrow from and rediscount with such merged banks on a basis comparable with the production credit associations regardless of the ownership of such banks. The provisions of this Act shall be construed in keeping with this declaration of policy."

Discounts and Loans

12 U. S. C. § 1031

F. F. L. Act § 202 (a)

Lending powers; discount or purchase of obligations; approval of collateral; loans to and discount of paper for other credit banks

The Federal intermediate credit banks, when chartered and established, shall have power, subject solely to the restrictions, limitations, and conditions contained in this Act or as may be prescribed by the Farm Credit Administration not inconsistent with the provisions of this Act—

(1) to discount for, or purchase from, any production credit association organized under the Farm Credit Act of 1933, as amended, with its endorsement, any note, draft, or other such obligation presented by such association; and to make loans and advances to any such association secured by such collateral as may be approved by the Governor of the Farm Credit Administration;

(2) to discount for, or purchase from, any national bank, State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, credit union, and any association of agricultural producers engaged in the making of loans to farmers and ranchers, with its endorsement, any note, draft, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose, including the breeding, raising, fattening, or marketing of livestock; and to make loans and advances to any such financing institution secured by such collateral as may be approved by the Governor of the Farm Credit Administration: *Provided*, That no such loan or advance shall be made upon the security of collateral other than notes or other such obligations of farmers and ranchers eligible for discount or purchase under the provisions of this section, unless such loan or advance is made to enable the financing institution to make or carry loans for any agricultural purpose; and

(3) to make loans to and discount paper for any other Federal intermediate credit bank, any Federal land bank, or any bank for cooperatives organized under the Farm Credit Act of 1933, as amended, all upon terms and at rates of interest or discount approved by the Farm Credit Administration. (*July 17, 1916, ch. 245, title II, § 202 (a), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1455, and amended*

Mar. 4, 1925, ch. 524, § 7, 43 Stat. 1264; June 26, 1930, ch. 616, § 1, 46 Stat. 816; May 19, 1932, ch. 191, § 1, 47 Stat. 159; June 16, 1933, ch. 98, title VII, § 76 (b), (c), 48 Stat. 271; Ex. Ord. No. 6084, Mar. 27, 1933; June 3, 1935, ch. 164, § 5 (a), (b), 49 Stat. 315; July 26, 1956, ch. 741, title I, § 104 (b), 70 Stat. 663.)

12 U. S. C. § 1032

F. F. L. Act § 202 (b)

Purchase or discount of paper from or for national banks, State banks, trust companies, savings institutions, or corporations making loans for agricultural or livestock purposes; limitations upon amount

No paper shall be purchased from or discounted for any national bank, State bank, trust company or savings institution under sections 1031—1033 of this title, if the amount of such paper added to the aggregate liabilities of such national bank, State bank, trust company, or savings institution, whether direct or contingent (other than bona fide deposit liabilities), exceeds the amount of such liability permitted under the laws of the jurisdiction creating the same; or exceeds twice the paid-in and unimpaired capital and surplus of such national bank, State bank, trust company, or savings institution. No paper shall under said sections be purchased from or discounted for any other corporation engaged in making loans for agricultural purposes or for the raising, breeding, fattening, or marketing of livestock, if the amount of such paper added to the aggregate liabilities of such corporation exceeds the amount of such liabilities permitted under the laws of the jurisdiction creating the same; or exceeds ten times the paid-in and unimpaired capital and surplus of such corporation. It shall be unlawful for any national bank which is indebted to any Federal intermediate credit bank, upon paper discounted or purchased under said sections, to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities, direct or contingent, will exceed the limitations herein contained. (*July 17, 1916, ch. 245, title II, § 202 (b), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1455.*)

12 U. S. C. § 1033

F. F. L. Act § 202 (c)

Maturity and sale of loans, advances, or discounts

Loans, advances, or discounts made under sections 1031—1033 of this title shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not more than five years. Any Federal intermediate credit bank may in its discretion sell loans or discounts made under said sections, with or without its endorsement. (*July 17, 1916, ch. 245, title II, § 202 (c), as added Mar. 4, 1923,*

ch. 252, title I, § 2, 42 Stat. 1455, and amended June 26, 1930, ch. 616, § 2, 46 Stat. 816; July 26, 1956, ch. 741, title I, § 104 (c), 70 Stat. 664.)

Issue of Debentures

12 U. S. C. § 1040

F. C. Act 1937 § 39

“Debentures” defined

The terms “debenture” and “debentures”, when used in any Act of Congress, whenever enacted, except the Federal Farm Loan Act, relating to the purchase, sale, or use as security, of debentures issued by or for the benefit and account of any Federal intermediate credit bank or banks, shall be deemed to mean debentures issued by any such bank individually and consolidated debentures issued by such banks acting together. (*Aug. 19, 1937, ch. 704, § 39, 50 Stat. 718.*)

12 U. S. C. § 1041

F. F. L. Act § 203 (a)

Collateral trust debentures or similar obligations; security for; maturity; limitation respecting amount

Federal intermediate credit banks shall have power, subject to the approval of the Farm Credit Administration, to borrow money and to issue and to sell collateral trust debentures or other similar obligations with a maturity at the time of issue of not more than five years, which shall be secured by at least a like face amount of cash, United States Government bonds, Federal Farm Mortgage Corporation bonds, or notes or other such obligations discounted or purchased or representing loans made under sections 1031—1033 of the title: *Provided*, That the aggregate amount of the outstanding debentures and similar obligations issued individually by any Federal intermediate credit bank, together with the amount of outstanding consolidated debentures or other similar obligations issued for its benefit and account, shall not exceed ten times the surplus and paid-in capital of such bank. (*July 17, 1916, ch. 245, title II, § 203 (a), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1456, and amended Ex. Ord. No. 6084, Mar. 27, 1933; June 3, 1935, ch. 164, § 6 (a), 49 Stat. 315; Aug. 19, 1937, ch. 704, § 27, 50 Stat. 715; July 26, 1956, ch. 741, title I, § 104 (f), 70 Stat. 664.*)

12 U. S. C. § 1042

F. F. L. Act § 203 (b)

Applicability of provisions of Subchapter I; regulations governing collateral and handling thereof; interest rates

The provisions of subchapter I of this chapter relating to the preparation and issue of farm loan bonds shall, so far as applicable, govern the preparation and issue of debentures or other such obligations issued under

section 1041 of this title; but the Farm Credit Administration shall prescribe rules and regulations governing the receipt, custody, substitution, and release of the cash, obligations of the United States Government, and notes or other obligations securing such debentures, the right of substitution being granted, and in the event such notes or other obligations are secured by warehouse receipts, shipping documents, or other similar credit instruments, may permit the substitution of trust receipts therefor in such manner and subject to such conditions as may be approved by the said Administration. Rates of interest upon debentures and other such obligations issued under said section shall, subject to the approval of the Farm Credit Administration, be fixed by the Federal intermediate credit bank making the issue, not exceeding 6 per centum per annum. (*July 17, 1916, ch. 245, title II, § 203 (b), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1456, and amended Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 28, 50 Stat. 715.*)

12 U. S. C. § 1043

F. F. L. Act § 203 (c)

Assumption of liability by Government prohibited; recital necessary to be included

The United States Government shall assume no liability, direct or indirect, for any debentures or other obligations issued under section 1041 of this title, and all such debentures and other obligations shall contain conspicuous and appropriate language, to be prescribed in form and substance by the Farm Credit Administration and approved by the Secretary of the Treasury, clearly indicating that no such liability is assumed. (*July 17, 1916, ch. 245, title II, § 203 (c), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1456, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 1044

F. F. L. Act § 203 (d)

Consolidated debentures or other similar obligations; authority of intermediate credit banks to issue and sell

Whenever it shall appear desirable to issue consolidated debentures or other similar obligations of the twelve Federal intermediate credit banks and to sell them through a common selling agency, and the Federal intermediate credit banks shall, by resolutions, consent to the same, the banks may issue and sell said debentures or other similar obligations subject to the provisions of sections 1041—1045 of this title and the provisions of sections 871—886 of this title, insofar as applicable. As used in this Act, the term “debentures” includes such consolidated debentures. (*July 17, 1916, ch. 245, title II, § 203 (d), as added June 3, 1935, ch. 164, § 6 (b), 49 Stat. 315, and amended July 26, 1956, ch. 741, title I, § 104 (f), 70 Stat. 664.*)

12 U. S. C. § 1045**F. F. L. Act § 203 (e)****Investment of fiduciary and trust funds in debentures or other similar obligations of intermediate credit banks; security for public deposits**

All debentures or other similar obligations issued by Federal intermediate credit banks shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of the United States or of any officer or officers thereof. (*July 17, 1916, ch. 245, title II, § 203 (e), as added June 3, 1935, ch. 164, § 6 (b), 49 Stat. 316, and amended July 26, 1956, ch. 741, title I, § 104 (f), 70 Stat. 664.*)

Discount Rates**12 U. S. C. § 1051****F. F. L. Act § 204 (a)****Establishment of and approval of; limitations on**

Loans and discounts by any Federal intermediate credit bank shall bear such rates of interest or discount as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but the rates charged financing institutions other than production credit associations shall be the same as those charged production credit associations. (*July 17, 1916, ch. 245, title II, § 204 (a), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1456, and amended Mar. 4, 1925, ch. 524, § 2, 43 Stat. 1262; Ex. Ord. No. 6084, Mar. 27, 1933; June 3, 1935, ch. 164, § 7, 49 Stat. 316; July 26, 1956, ch. 741, title I, § 104 (d), 70 Stat. 664.*)

12 U. S. C. § 1052**F. F. L. Act § 204 (b)****Limitation on interest rate charged original borrower on paper discounted with bank**

No organization entitled to the privileges of this subchapter, shall, without the approval of the Farm Credit Administration, be allowed to discount with any Federal intermediate credit bank any note or other obligation, upon which the original borrower has been charged a rate of interest exceeding by more than $1\frac{1}{2}$ per centum per annum the discount rate of the Federal intermediate credit bank at the time such loan was made. (*July 17, 1916, ch. 245, title II, § 204 (b), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1456, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 1053**F. F. L. Act § 204 (c)****Purchase by bank of debentures issued by it**

Subject to the approval of the Farm Credit Administration, a Federal intermediate credit bank may buy for its own account any debentures or similar obligations issued by or for the benefit and account of such bank or other Federal intermediate credit bank or banks, and (1) hold until maturity any such debentures or similar obligations or (2) retire before maturity any such debentures or similar obligations issued by it or for its benefit and account. (*July 17, 1916, ch. 245, title II, § 204 (c), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1456, and amended Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 29, 50 Stat. 715.*)

Capital Stock**12 U. S. C. § 1061****F. F. L. Act § 205****Classes of stock; ownership; dividends; retirement; lien on stock and participation certificates**

(a) Each Federal intermediate credit bank is authorized to issue class A and class B stock as follows:

(1) Class A stock shall have a par value of \$100 per share and shall be issued to and held by the Governor of the Farm Credit Administration on behalf of the United States. Stock of each Federal intermediate credit bank held by the Secretary of the Treasury shall be transferred to the Governor who shall exchange such stock for an equal amount of class A stock of such bank. The Governor is authorized thereupon to reallocate the investment of the United States in such banks in such manner as he determines necessary to meet the needs of the respective banks. Any transfers of capital funds required as a result of such reallocation shall be made in four equal installments, the first of which shall be made on January 1, 1957, and one of which shall be made on the first day of each of the next succeeding three calendar years. Upon each such transfer of capital funds the Governor shall require an appropriate adjustment in the class A stock of each such bank. Stock of each production credit corporation held by the Governor (less the amount canceled pursuant to section 1027 of this title) shall be exchanged for an equal par amount of class A stock of the Federal intermediate credit bank in which such corporation is merged pursuant to section 1027 of this title. No dividends shall be paid on class A stock. Annually at the end of its fiscal year each such bank shall determine the amount of its class A stock which shall be

retired. Whenever the total of the capital stock, participation certificates, surplus, and reserves of the bank is more than one-sixth of the highest month-end balance of debentures and other obligations issued by or for the bank, outstanding during the immediately preceding five years, the minimum amount of class A stock to be retired shall be the total amount of class B stock and participation certificates issued for that year. All class A stock shall be retired at par. The proceeds of such class A stock retirements of each bank shall be paid into the Treasury as miscellaneous receipts until there is so paid a sum equal to \$30,000,000 plus the amount of class A stock of the bank issued in exchange for stock of the production credit corporation. The proceeds of any further such stock retirements shall be paid into the revolving fund established by section 1131i (e) of this title. The Governor of the Farm Credit Administration is authorized to purchase from time to time class A stock in any bank in such amount as he determines is needed to meet the credit needs of the bank and such revolving fund shall continue to be available for such purchases as provided in said section 1131i (e) of this title. The Governor may at any time require the bank to retire such class A stock if, in his judgment, the bank has resources available therefor, and the proceeds of such retirements shall be returned to such revolving fund.

(2) Class B stock shall have a par value of \$5 per share and may be issued only to production credit associations in series and amounts approved by the Farm Credit Administration. Such stock shall be issued only at par and may be transferred to another production credit association with the approval of the issuing bank. Whenever a bank has no class A stock outstanding it may pay like dividends on class B stock and participation certificates in an amount not to exceed 5 per centum in any year if declared by the board of directors. Dividends on class B stock and participation certificates shall not be cumulative. Within sixty days after January 1, 1957, the production credit associations shall subscribe to class B stock in the banks in an aggregate amount equal to 15 per centum of the total amount of class A stock in all banks. Such required amount of subscriptions shall be allotted among the several districts in the proportion that the average amount of the bank's loans to and discounts for the production credit associations of the district, outstanding during the immediately preceding five fiscal years, is of the average of such loans and discounts of all banks outstanding during such five-year period. The amount so allotted to each district shall be further allotted to each production credit association on the basis of the proportion that its average indebtedness (loans and discounts) to the bank during the immediately preceding five fiscal years is of the average of such indebtedness of all production credit associations to the bank during such five-year period. Each production credit

association shall subscribe to class B stock in the bank of the district in the amount so allotted to it. One-third of the purchase price of such stock subscription shall be paid at the time of such subscription, one-third shall be paid within one year after January 1, 1957, and the balance shall be paid within two years after January 1, 1957. Such class B stock shall be issued as payments therefor are made. Any production credit association chartered after January 1, 1957 shall thereupon purchase class B stock in the bank in the amount of \$5,000, and such amount shall be adjusted at the end of five years thereafter to an amount determined by applying to its average indebtedness to the bank during such five-year period the same percentage as the percentage which the initial subscriptions of other production credit associations was of their indebtedness, as provided in this subsection: *Provided*, That this provision shall not apply to any association owning stock in the bank in such required amount as a result of merger, consolidation, or reorganization of one or more associations. After all class A stock has been retired, the bank may retire class B stock at par and participation certificates at a face amount under policies established by the Farm Credit Administration. Class B stock and participation certificates shall be retired without preference and in such manner that the oldest outstanding stock or certificates at any given time will be retired first. In case of liquidation or dissolution of any production credit association or other financing institution, the stock or participation certificates of the bank owned by such association or institution may be retired by the bank at the fair book value thereof, not exceeding par or face amount, as the case may be.

(b) Each Federal intermediate credit bank shall have a first lien on all stock in the bank owned by each production credit association and on all participation certificates owned by other financing institutions as additional collateral for any indebtedness of the holders thereof to the bank: *Provided*, That the bank shall make no loan or advance on the security of its own stock or participation certificates. In any case where the debt of a production credit association or other financing institution is in default, the bank may retire and cancel all or a part of the stock of the bank held by the association or of the participation certificates held by the other financing institution at the fair book value thereof, not exceeding par or face amount, as the case may be, in total or partial liquidation of the debt. (*July 17, 1916, ch. 245, title II, § 205, as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1457, and amended May 19, 1932, ch. 191, § 2, 47 Stat. 159; Ex. Ord. No. 6084, Mar. 27, 1933; Jan. 31, 1934, ch. 7, § 15 (b), (c), 48 Stat. 348; July 26, 1956, ch. 741, title I, § 102, 70 Stat. 660.*)

Application of Earnings

12 U. S. C. § 1072

F. F. L. Act § 206

Net earnings—(a) Determination; annual application; surplus account; absorption of net loss

At the end of its fiscal year, each Federal intermediate credit bank shall determine the amount of its net earnings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such net earnings as follows: (1) To the restoration of the amount of the impairment, if any, of capital stock and participation certificates as determined by its board of directors; (2) to the restoration of the amount of the impairment, if any, of the surplus account established by this subsection, as determined by its board of directors; (3) 25 per centum of any remaining earnings shall be used to create and maintain a reserve account equal to 25 per centum of the outstanding capital stock and participation certificates of the bank; (4) if said bank shall have outstanding capital stock held by the United States during the whole or any part of its fiscal year, it shall next pay to the United States as a franchise tax, a sum equal to 25 per centum of its earnings then remaining, not exceeding, however, a rate of return on such Government capital calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year of the United States Treasury ending next before such tax is due, as certified to the Farm Credit Administration by the Secretary of the Treasury; (5) dividends on class B stock and participation certificates may be declared as provided in section 1061 (a) of this title; and (6) any remaining net earnings shall be distributed as patronage refunds as provided in subsection (b) of this section. Notwithstanding the provisions of item (3) of this subsection, if at the end of any fiscal year the sum of the surplus and the reserve account of any bank is less than its outstanding capital stock and participation certificates, the bank shall continue to apply such 25 per centum of its net earnings to the reserve account until the sum of the surplus and the reserve account is equal to its outstanding capital stock and participation certificates. Each bank shall, on January 1, 1957, establish a surplus account consisting of its earned surplus account, its reserve for contingencies, and the surplus of the production credit corporation transferred to the bank. No part of such surplus of any bank shall be distributed as patronage refunds or as dividends. In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves), such loss shall be absorbed by: first, charges to the reserve account; second, charges to surplus

other than that transferred from the production credit corporation of the district; third, charges to surplus transferred from the production credit corporation of the district; fourth, the impairment of class B stock and participation certificates; and fifth, the impairment of class A stock.

(b) Patronage refunds; exemption from Federal income taxes; restrictions on payment

Whenever at the end of its fiscal year a Federal intermediate credit bank has class A stock outstanding, patronage refunds declared for that year shall be paid in class B stock to production credit associations and in participation certificates to other financing institutions borrowing from or rediscounting with the bank during the fiscal year for which such refunds are declared. The recipients of such patronage refunds shall not be subject to Federal income taxes thereon. Whenever at the end of its fiscal year a Federal intermediate credit bank has no class A stock outstanding, patronage refunds declared for that year may be paid in such class B stock and participation certificates or in cash as determined by the bank. All patronage refunds shall be paid in the proportion that the amount of interest earned by the bank on its loans to and discounts for each production credit association or other financing institution bears to the total interest earned by the bank on all such loans and discounts outstanding during the fiscal year. Each participation certificate issued in payment of patronage refunds shall be in multiples of \$5 and shall state on its face the rights, privileges, and conditions applicable thereto. Patronage refunds shall not be paid to any other Federal intermediate credit bank, or to any Federal land bank or bank for cooperatives.

(c) Distribution of assets on liquidation or dissolution

In the case of liquidation or dissolution of any Federal intermediate credit bank, after payment or retirement, as the case may be, first, of all liabilities; second, of all class A stock at par; third, of all class B stock at par and all participation certificates at face amount; any remaining assets of the bank shall be distributed as provided in this subsection. Any of the surplus established pursuant to subsection (a) of this section (excluding that transferred from the production credit corporation of the district) which the Farm Credit Administration determines was contributed by financing institutions, other than the production credit associations, rediscounting with or borrowing from the bank on January 1, 1957 shall be paid to such institutions, or their successors in interest as determined by the Farm Credit Administration, and the remaining portion of such surplus (including that transferred from the

production credit corporation of the district) shall be paid to the holders of class A and class B stock pro rata. The contribution of each such financing institution under the preceding sentence shall be computed on the basis of the ratio of its patronage to the total patronage of the bank from the date of organization of the bank to January 1, 1957. Any assets of the bank then remaining shall be distributed to the holders of class B stock and the holders of participation certificates pro rata. (*July 17, 1916, ch. 245, § 206, as added Mar. 4, 1923, ch. 252, § 2, 42 Stat. 1457, and amended Mar. 4, 1925, ch. 524, § 1, 43 Stat. 1262; May 19, 1932, ch. 191, § 3, 47 Stat. 1459; Aug. 19, 1937, ch. 704, § 30, 50 Stat. 715; July 26, 1956, ch. 741, title I, § 103, 70 Stat. 662.*)

Section 202 (b) of act July 26, 1956, provided that: "For purposes of applying the amendment in section 103 of this Act [amending this section], that part of the fiscal year 1957 preceding the effective date of this Act [January 1, 1957] shall be deemed to be a separate fiscal year."

Liability on Debentures or Other Such Obligations

12 U. S. C. § 1081

F. F. L. Act § 207

Liability of one bank for debentures issued by other banks; agreements by banks for transfer of funds for debenture payments

Any Federal intermediate credit bank issuing debentures or other such obligations under this subchapter shall be primarily liable therefor, and shall also be liable, upon presentation of the coupons for interest payments due upon any such debentures or obligations issued by any other Federal intermediate credit bank and remaining unpaid in consequence of the default of the other Federal intermediate credit bank. Any Federal intermediate credit bank shall likewise be liable for such portion of the principal of debentures or obligations so issued as are not paid after the assets of such other Federal intermediate credit bank have been liquidated and distributed. Such losses, if any, either of interest or of principal, shall be assessed by the Farm Credit Administration against solvent Federal intermediate credit banks liable therefor in proportion to the amount of capital stock, surplus, and debentures or other such obligations which each may have outstanding at the time of such assessment. Every Federal intermediate credit bank shall, by appropriate action of its board of directors duly recorded in its minutes, obligate itself to become liable on debentures and other such obligations as provided in this section: *Provided*, That in view of the liability of all Federal intermediate credit banks for the debentures and other such obligations of each bank under this chapter, the banks shall, in accord-

ance with rules, regulations, and orders of the Farm Credit Administration, enter into adequate agreements and arrangements among themselves by which funds shall be transferred and/or made available from time to time for the payment of all such debentures and other such obligations and the interest thereon when due in accordance with the terms thereof. (*July 17, 1916, ch. 245, title II, § 207, as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1458, and amended May 19, 1932, ch. 191, § 4, 47 Stat. 159; Ex. Ord. No. 6084, Mar. 27, 1933.*)

Examinations and Reports

12 U. S. C. § 1091

F. F. L. Act § 208 (a)

Reports of condition of banks and other lending institutions rediscounting with credit banks; examinations and audits of credit banks

In order to enable each Federal intermediate credit bank to carry out the purpose of this subchapter, the Comptroller of the Currency is authorized and directed, upon the request of any Federal intermediate credit bank, (1) to furnish for the confidential use of such bank such reports, records, and other information as he may have available relating to the financial condition of national banks through or for which the Federal intermediate credit bank has made or contemplates making discounts, and (2) to make through his examiners, for the confidential use of the Federal intermediate credit bank, examinations of organizations through or for which the Federal intermediate credit bank has made or contemplates making discounts or loans: *Provided*, That no such examination shall be made without the consent of such organization except where such examination is required by law: *Provided*, That any organization, except State banks, trust companies, and savings associations, shall, as a condition precedent to securing rediscount privileges with the Federal intermediate credit bank of its district, file with such bank its written consent to its examination as may be directed by the Farm Credit Administration by farm credit examiners; and State banks, trust companies, and savings associations may be in like manner required to file their written consent that reports of their examination by constituted authorities may be furnished by such authorities upon request to the Federal intermediate credit bank of their district. Each Federal intermediate credit bank shall be examined and audited at least once each year by the Farm Credit Administration, and the results of such examination and audit shall be made public by the administration. (*July 17, 1916, ch. 245, title II, § 208 (a), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1458, and amended Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 20, 50 Stat. 710.*)

12 U. S. C. § 1092**F. F. L. Act § 208 (b)****Submission and publication of reports
of condition by banks**

Every Federal intermediate credit bank shall make to the Farm Credit Administration not less than three reports during each year as requested by the administration and according to the form which may be prescribed by the administration, verified by the oath or affirmation of the president, or secretary, or treasurer, of each Federal intermediate credit bank and attested by the signature of at least three of the directors. Each report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the Federal intermediate credit bank at the close of business on any past day specified by the Farm Credit Administration within five days from the receipt of a request or requisition therefor from the administration, and in the same form in which it is made to the Farm Credit Administration shall be published in a newspaper published in the place where such Federal intermediate credit bank is established, or if there is no newspaper in the place, then in the one published nearest thereto, in the same county, at the expense of the bank; and such proof of publication shall be furnished as may be required by the Farm Credit Administration. The Farm Credit Administration shall also have power to call for special reports from any particular Federal intermediate credit bank whenever in its judgment the same are necessary for a full and complete knowledge of its condition. (*July 17, 1916, ch. 245, title II, § 208 (b), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1458, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 1093**F. F. L. Act § 208 (c)****Investigations and reports by land bank
appraisers and examiners for credit banks**

Land bank appraisers are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to investigate and make a written report upon the products covered by warehouse receipts or shipping documents, and the livestock covered by mortgages, which are security for notes or other such obligations representing any loan to any organization, under this subchapter. Farm credit examiners are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Farm Credit Administration, to examine and make a written report upon the condition of any organization, except national banks, to which the Federal intermediate credit bank contemplates making any such loan. (*July 17, 1916, ch. 245, title II, § 208 (c), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1458, and amended Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 20, 50 Stat. 710.*)

12 U. S. C. § 1094**F. F. L. Act § 208 (d)****Cost of examinations; assessments
against organizations investigated**

The Farm Credit Administration shall assess the cost of all examinations made by the examiners of the administration under the provisions of this subchapter upon the bank, trust company, savings institution, or organization investigated, in accordance with the regulations to be prescribed by the administration. (*July 17, 1916, ch. 245, title II, § 208 (d), as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1458, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 1095**F. F. L. Act § 208 (e)****Reports on condition of institutions
receiving loans or deposits**

The executive departments, boards, commissions, and independent establishments of the Government, the Reconstruction Finance Corporation, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Reserve banks are severally authorized under such conditions as they may prescribe, upon the request of the Farm Credit Administration to make available to the Farm Credit Administration or any district bank or district corporation operating under its supervision, in confidence, all reports, records or other information they may have relating to the condition of any institution to which the Administration, such district bank, or corporation has made or contemplates making loans or for which it has discounted or contemplates discounting paper, or which it is using or contemplates using as a custodian of securities or other credit instruments, or as a depository. (*July 17, 1916, ch. 245, title II, § 208 (e), as added June 3, 1935, ch. 164, § 8, 49 Stat. 316, and amended Aug 23, 1935, ch. 614, § 203 (a), 49 Stat. 704; Aug. 19, 1937, ch. 704, § 31, 50 Stat. 716.*)

Rules and Regulations

12 U. S. C. § 1101**F. F. L. Act § 209****Authority of Farm Credit Administration**

The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary for the efficient execution of the provisions of this subchapter. (*July 17, 1916, ch. 245, title II, § 209, as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1459, and amended Ex. Ord. No. 6084, Mar. 27, 1933.*)

Tax Exemption

12 U. S. C. § 1111

F. F. L. Act § 210

Capital and income; debentures instrumentalities of Government

The privileges of tax exemption accorded under section 931 of this title shall apply also to each Federal intermediate credit bank, including its capital, reserve, or surplus, and the income derived therefrom, and the debentures issued under this subchapter shall be deemed and held to be instrumentalities of the Government and shall enjoy the same tax exemptions as are accorded farm loan bonds in said section. (*July 17, 1916, ch. 245, title II, § 210, as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1459.*)

Interest upon obligations, and dividends, earnings, or other income from shares, certificates, stock, or other evidences of ownership, and gain from the sale or other disposition of such obligations and evidences of ownership issued on or after March 28, 1942, by the United States or any agency or instrumentality thereof have no exemption, as such, and loss from the sale or other disposition of such obligations or evidences of ownership shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. (31 U. S. C. 742a.)

12 U. S. C. § 1129

F. F. L. Act § 212

Charging of unauthorized fees or commissions by banks

No Federal intermediate credit bank shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized. (*July 17, 1916, ch. 245, title II, § 212, as added Mar. 4, 1923, ch. 252, title I, § 2, 42 Stat. 1461.*)

Subchapter IV—PRODUCTION CREDIT ASSOCIATIONS

12 U. S. C. § 1131c

F. C. Act 1933 § 6

Purchase of stock of production credit associations; payment; retirement and cancellation of stock

The Governor may purchase class A stock of any production credit association in such amounts as he determines are required to meet the credit needs of farmers in the area served by such association. Payments for such stock purchased by the Governor shall be made out of the revolving fund authorized by section 1131i (a) of this title. The

Governor may at any time require any production credit association to retire and cancel any class A stock held by him in such association if, in his judgment, the association has resources available therefor, and the proceeds of such stock retirements shall be paid into such revolving fund. (*June 16, 1933, ch. 98, title I, § 6, 48 Stat. 259; Aug. 6, 1953, ch. 335, § 11, 67 Stat. 395; July 26, 1956, ch. 741, title I, § 105 (e), 70 Stat. 665.*)

12 U. S. C. § 1131d**F. C. Act 1933 § 20****Organization; articles of association; charters; bylaws; powers of governor respecting associations**

The governor is authorized and directed to organize and charter corporations to be known as "Production Credit Associations." Such associations may be organized by ten or more farmers desiring to borrow money under the provisions of sections 1131d—1131g and 1131h of this title. Such individuals shall enter into articles of incorporation which shall specify in general terms the objects for which the association is formed and the powers to be exercised by it in carrying out the functions conferred upon it by this subchapter. Such articles shall be signed by the individuals uniting to form the association and a copy thereof shall be furnished to the Governor. The governor may, for good cause shown, deny a charter to such individuals. Upon the approval of such articles by the governor, the association shall become as of the date of such approval a body corporate. The governor shall have power, under rules and regulations prescribed by him, or by prescribing the terms of the charter of the association, or both, to provide for the organization, management, and conduct of the business of the association; and the power of the governor shall extend to prescribing the amount of the stock of such association; fixing the territory within which its operations may be carried on; fixing the method of election and appointment of, and the amount and payment of the compensation of, directors, officers, and employees; fixing the maximum amount of individual loans which may be made; prescribing the conditions under which the stock may be retired; and providing for the consolidation of two or more such associations. The governor may, at any time, direct such changes in the charter of any such association as he finds necessary in accomplishing the purposes of sections 1131d—1131g and 1131h of this title. Bylaws of any such association may be adopted by the directors but shall not be valid unless approved by the governor. (*June 16, 1933, ch. 98, title II, § 20, 48 Stat. 259; July 26, 1956, ch. 741, title I, § 105 (f), 70 Stat. 665.*)

12 U. S. C. § 1131e

F. C. Act 1933 § 21

Capital stock; value of shares; classes of stock; voting rights; limitation on transfer of class B stock; exchange of class B stock upon holder ceasing to be borrower; dividends

The stock of such associations shall be divided into shares of \$5 each; and there shall be two classes of such stock: (1) Class A stock which is to be held by the Governor and which may be purchased and held by investors, and (2) class B stock which may be purchased only by farmer borrowers from the association and individuals eligible to become borrowers. Class B stock only shall be entitled to voting rights but each holder of such stock shall be entitled to no more than one vote. No class B stock, or any interest therein or right to receive dividends thereon, shall be transferred by act of parties or operation of law except to another farmer borrower or an individual eligible to become a borrower, and then only with the approval of the directors of the association. Each holder of class B stock, within two years after he has ceased to be a borrower, shall exchange such class B stock at the fair book value (not to exceed par) thereof, as determined by the association, for class A stock. Dividends may be paid on class A and class B stock without preference or on class A stock alone, as the board of directors of the association may determine, but the directors of the association may, in their discretion, apply the amount of any dividend payable to a holder of class B stock to any indebtedness of such holder to the association. Class A stock shall be preferred as to assets of the association upon liquidation. (*June 16, 1933, ch. 98, title II, § 21, 48 Stat. 260; Aug. 11, 1955, ch. 785, title II, § 201, 69 Stat. 663; July 26, 1956, ch. 741, title I, § 105 (g), 70 Stat. 665.*)

12 U. S. C. § 1131e-1

F. C. Act 1953 § 16

Same; issuance of class C stock; conditions, privileges, restrictions, limitations, and qualifications

(a) Any other provisions of law to the contrary notwithstanding, after the effective date of this Act any production credit association may, with the approval of the Farm Credit Administration, issue nonvoting preferred stock, to be known as class C stock, which may be purchased and held by the Governor of the Farm Credit Administration and by investors: *Provided*, That the issuance of such stock shall be authorized by vote of not less than two-thirds of the outstanding shares of class A stock of the association (other than shares held by the Governor of the Farm Credit Administration) by the holders thereof in person or by proxy and by vote of not less than two-thirds of the outstanding shares

of class B stock of the association by the holders thereof in person or by proxy; and for this purpose holders of class A stock (other than the Governor of the Farm Credit Administration) and holders of class B stock shall be entitled to one vote for each share of stock held by them. Payments for such stock purchased by the Governor shall be made out of the revolving fund created by section 1131i (a) of this title, and the proceeds from the retirement of any such stock shall be paid into such revolving fund.

(b) Such class C stock of such associations shall be divided into shares of \$5 each. The resolution of the stockholders authorizing the issuance of class C stock and every certificate of class C stock issued shall state and express the privileges, restrictions, limitations, and qualifications affecting said stock, and the total amount of the authorized issue to which it belongs.

(c) Such class C stock may (1) be made subject to redemption in such manner, at such time or times, and at such price or prices; (2) be given such preferences as to net assets upon dissolution of the corporation, whether voluntary or involuntary; (3) be given the right to receive such cumulative or noncumulative dividends payable quarterly, semiannually, or annually, and payable as a whole or in part before any dividend shall be set apart for or paid on class A and class B stock; and (4) be made subject to such other restrictions, limitations, and qualifications; as shall be stated and expressed in the resolution of the stockholders authorizing the issuance thereof and in the face of the stock certificates. (*Aug. 6, 1953, ch. 335, § 16, 67 Stat. 399; July 26, 1956, ch. 741, title I, § 107 (b), 70 Stat. 666.*)

12 U. S. C. § 1131f

F. C. Act 1933 § 22

Application of earnings; restoration of capital impairment; surplus account; dividends

(a) Each production credit association shall, at the end of each fiscal year, apply the amount of its earnings in excess of operating expenses (including provision for reasonable valuation reserves) during such fiscal year, first, to the restoration of the impairment, if any, of capital; and, second, to the establishment and maintenance of a surplus account, the minimum amount of which shall be prescribed by the Federal intermediate credit bank.

(b) A production credit association may pay dividends of not to exceed 7 per centum per annum when such payments are approved by the Federal intermediate credit bank of the district and are consistent with policies established under regulations issued by the Farm Credit Administration. (*June 16, 1933, ch. 98, title II, § 22, 48 Stat. 261; Aug. 11, 1955, ch. 785, title II, § 202, 69 Stat. 663; July 26, 1956, ch. 741, title I, § 105 (h), 70 Stat. 665.*)

Section 203 of act Aug. 11, 1955, provided that: "The amounts in the guaranty fund reserve and the reserve account for bad and doubtful debts of each production credit association shall, as of the effective date of this title [August 11, 1955], be transferred to the surplus account of such association established pursuant to the provisions of section 22 of the Farm Credit Act of 1933 as amended by section 202 of this title [this section]."

12 U. S. C. § 1131g

F. C. Act 1933 § 23

**Loans to farmers; limitation
on indebtedness; ownership of stock**

Each production credit association shall, under such rules and regulations as may be prescribed by the farm credit board of the district with the approval of the Farm Credit Administration, invest its funds and make loans to farmers for general agricultural purposes and other requirements of the borrowers. No borrower shall be indebted to the association at any one time in an amount in excess of 15 per centum of the capital and surplus of the association unless the loan has the prior approval of the Federal intermediate credit bank, or in excess of 35 per centum of the capital and surplus of the association unless the loan also has the prior approval of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock of the association in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 1131e of this title. (*June 16, 1933, ch. 98, title II, § 23, 48 Stat. 261; Aug. 11, 1955, ch. 785, title II, § 204, 69 Stat. 663; July 26, 1956, ch. 741, title I, § 105 (i), 70 Stat. 665.*)

12 U. S. C. § 1131g-2

**Loans to oyster planters;
purchase and discount of paper
by Federal intermediate credit banks**

Subject to the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Production Credit Commissioner, production credit associations organized under this subchapter are authorized to make loans to oyster planters; to sell, discount, assign, or otherwise dispose of any loans made by them under the provisions of this section; and to do any and all other things necessary to carry these provisions into effect. With the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Intermediate Credit Commissioner, the Federal intermediate credit banks are authorized and empowered to discount for or purchase from any production credit association any note, draft, or other such obligation representing a loan or loans made under the provisions of this section; and to make loans or advances direct to any

such organization secured by such obligations. (*June 18, 1934, ch. 574, 48 Stat. 983; June 3, 1935, ch. 164, § 17 (c), 49 Stat. 318.*)

Abolishment of offices of Production Credit Commissioner and Intermediate Credit Commissioner, see section 636f (a) of this title.

12 U. S. C. § 1131h

F. C. Act 1933 § 24

Borrowing from and rediscounting paper with Federal intermediate credit banks; limitation on power to borrow from or rediscount paper with other institutions

Production Credit Associations doing business under this subchapter and subchapters V and VI of this chapter are authorized to borrow from, and rediscount paper with Federal Intermediate Credit Banks subject to the restrictions, limitations, and conditions applicable under subchapter III of this chapter, as amended. Except with the approval of the Governor, Production Credit Associations shall not have the power to borrow from or rediscount paper with any other bank or agency. (*June 16, 1933, ch. 98, title II, § 24, 48 Stat. 261.*)

Revolving Fund

12 U. S. C. § 1131i

F. C. Act 1933 § 5

Revolving fund

(a) There is created a revolving fund of not to exceed \$60,000,000 which shall be made up as follows:

(1) The Reconstruction Finance Corporation is authorized and directed to make available to the Governor of the Farm Credit Administration all unobligated balances of the following funds and all sums heretofore returned or released to the corporation from such funds:

(A) Any balances of funds for, and all collections on loans by, the Secretary of Agriculture pursuant to section 2 of the Reconstruction Finance Corporation Act;

(B) All collections on loans made or to be made pursuant to the Act of February 4, 1933 (chapter 35, 47 Stat. 795);

(C) All balances of funds authorized and directed to be made available to the Secretary of Agriculture by such act and not used for loans pursuant thereto; and

(D) Any balances of the funds originally directed to be allocated and made available to the Secretary of Agriculture by such acts except as expended pursuant to section 1148 of this title.

(2) There are made available to the Governor of the Farm Credit Administration all unobligated balances of appropriations and funds available thereunder to enable the Secretary of Agriculture to make advances or loans under the following Acts and resolutions, and all repayments of such advances and loans: March 3, 1921 (41 Stat. 1347), March 20, 1922 (42 Stat. 467), April 26, 1924 (43 Stat. 110),

February 28, 1927 (44 Stat. 1251), February 25, 1929 (45 Stat. 1306), as amended May 17, 1929 (46 Stat. 3), March 3, 1930 (46 Stat. 78, 79), December 20, 1930 (46 Stat. 1032), as amended February 14, 1931 (46 Stat. 1160), and February 23, 1931 (46 Stat. 1276), and Public Resolution Numbered 11, Seventy-second Congress, approved March 3, 1932, and the notes or other obligations evidencing such advances and loans and the security therefor are transferred to the Governor of the Farm Credit Administration.

(3) There is authorized to be appropriated the sum of \$40,000,000 out of any money in the Treasury not otherwise appropriated.

(b) There is authorized to be appropriated the sum of \$2,000,000, which shall remain available until expended, for all necessary administrative expenses in connection with the establishment and supervision of the Production Credit Associations.

(c) The authority of the Governor of the Farm Credit Administration to allocate and expend out of the funds covered by subsection (a) of this section such amounts as he shall deem necessary for salaries, expenses, and all other administrative expenditures in the execution of the functions for which such funds have hitherto been available shall not be deemed to be restricted by this section.

(d) Expired.

(e) The amount of all balances, collections, and appropriations allocated under subsection (a) of this section to the revolving fund created thereunder, which is an excess of \$120,000,000, is made available to the Governor of the Farm Credit Administration for the establishment of a revolving fund of not to exceed \$70,000,000. Out of such revolving fund, the Governor is authorized to allocate and, with the approval of the Secretary of the Treasury, to expend such amounts as he deems necessary for subscriptions to the capital stock of Federal Intermediate Credit Banks. (*June 16, 1933, ch. 98, title I, § 5, 48 Stat. 258; Jan. 31, 1934, ch. 7, §§ 14, 15 (a), 48 Stat. 348; July 26, 1956, ch. 741, title I, § 105 (d), 70 Stat. 665.*)

Subsec. (d) provided that the authority to make loans during 1933 pursuant to act Feb. 4, 1933, ch. 35, 47 Stat. 795, should not be restricted by this section.

Subchapter V—REGIONAL BANKS FOR COOPERATIVES AND CENTRAL BANK FOR COOPERATIVES

Regional Banks

12 U. S. C. § 1134

F. C. Act 1933 § 2

Establishment; number; location

The Governor of the Farm Credit Administration, hereinafter in this Act referred to as the "Governor", is authorized and directed to organize

and charter twelve banks to be known as “banks for cooperatives”. One such bank shall be established in each city in which there is located a Federal land bank. The members of the several farm credit boards of the farm credit districts provided for in section 640a of this title, shall be ex officio the directors of the respective banks for cooperatives. Such directors shall have power, subject to the approval of the Governor, to employ and fix the compensation of such officers and employees of such banks as may be necessary to carry out the powers and duties conferred upon such banks under this Act. (*June 16, 1933, ch. 98, title I, § 2, 48 Stat. 257; Aug. 19, 1937, ch. 704, § 11, 50 Stat. 708; July 26, 1956, ch. 741, title I, § 105 (a), 70 Stat. 664.*)

12 U. S. C. § 1134a

F. C. Act 1933 § 3

Charters and bylaws

The charters of the Banks for Cooperatives shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the banks. (*June 16, 1933, ch. 98, title I, § 3, 48 Stat. 257; July 26, 1956, ch. 741, title I, § 105 (b), 70 Stat. 665.*)

12 U. S. C. § 1134b

F. C. Act 1933 § 40

Capital stock; amount; value of shares; payments from revolving fund for stock purchased by Government

The capital stock of each Bank for Cooperatives established under section 1134 of this title shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under sections 1134b—1134e of this title and such amount may be increased or decreased from time to time by the governor in accordance with such needs. Such stock shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this title, the governor, on behalf of the United States, shall make payments for stock in the banks and such payments shall be subject to call in whole or in part by the board of directors of the bank with the approval of the governor. (*June 16, 1933, ch. 98, title IV, § 40, 48 Stat. 264.*)

12 U. S. C. § 1134c

F. C. Act 1933 § 41

Lending power; custodians of collateral

Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the banks for cooperatives are authorized (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended; (b) to make loans (by way of discount or otherwise) to any bank organized under this subchapter or to Federal land banks or Federal intermediate credit banks; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks.

Notwithstanding any limitations or conditions imposed by law, but subject to the availability of funds, each Bank for Cooperatives shall have power and authority to make separate loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purpose of financing the construction of structures for the storage of agricultural commodities (other than structures to provide refrigerated cold storage or structures in areas in which existing privately owned storage facilities for the commodity concerned are adequate) in amounts up to a maximum of 80 per centum of the cost of such structures, as approved by the Bank for Cooperatives to whom application is made for the loan: *Provided*, That the cooperative association which has applied for any loan shall have furnished to the Bank for Cooperatives an appropriate commitment from the Commodity Credit Corporation that the Commodity Credit Corporation will lease or guarantee utilization of not less than 75 per centum of the storage space contained in such structures when completed for a period of at least three years if such structures are not additions to existing structures, or two years if such structures are additions to existing structures.

Notwithstanding any other provision of law, any officer or employee of the Farm Credit Administration or of any bank for cooperatives designated to act as custodian of collateral securing loans made by any such bank to any cooperative association eligible to borrow therefrom may, in accordance with regulations of the Farm Credit Administration, act at the same time as custodian of collateral securing loans made by any other lenders to any cooperative association eligible to borrow from any such bank. (*June 16, 1933, ch. 98, title IV, § 41, 48 Stat. 264; June 3, 1935, ch. 164, § 14, 49 Stat. 317; Aug. 19, 1937, ch. 704, § 36, 50 Stat. 717; Oct. 31, 1949, ch. 792, title IV, § 417 (a), 63 Stat. 1058;*

Aug. 11, 1955, ch. 785, title I, § 107, 69 Stat. 662; July 26, 1956, ch. 741, title I, § 105 (k), 70 Stat. 665.)

12 U. S. C. § 1134d

F. C. Act 1933 § 42

Stock of banks for cooperatives—

(a) Classes of stock; voting rights; dividends; retirement of stock

Except as provided in section 111 of the Farm Credit Act of 1955, each regional bank for cooperatives shall have the following classes of stock, all of which shall have a par value of \$100 per share:

(1) Class A stock shall be issued to and held by the Governor of the Farm Credit Administration on behalf of the United States, and stock of such banks held by the Governor on the effective date of title I of the Farm Credit Act of 1955 shall be exchanged, share for share, for class A stock of the respective banks. Class A stock shall be non-voting and no dividends shall be paid thereon. At the end of each fiscal year, each of such banks, subject to the provisions of sections 1134i, 1141d, and 1134b of this title, shall determine the amount of class A stock that shall be retired at par by that bank. The minimum amount of class A stock that shall be retired shall be the equivalent in dollar value of the amount of class C stock issued for that year, except that class C stock issued by a regional bank on account of class C stock issued to it by the central bank, class C stock issued by a regional bank in exchange for class B stock the proceeds of which were used to retire an equivalent amount of class A stock, and class C stock issued by a regional bank in exchange for capital stock of the bank outstanding on the effective date of title I of the Farm Credit Act of 1955, shall not be included in such bank's calculation. Any amount of class A stock retired in excess of such minimum amount in one year may be used to reduce to that extent the amount of such stock required to be retired in any subsequent year. Funds from the retirement of class A stock shall be paid into the revolving fund authorized by the Agricultural Marketing Act, as amended, and shall continue to be available for the purchase of class A stock in the banks in accordance with sections 1134i, 1141d, and 1134b of this title.

(2) Class B stock may be issued in series and amounts approved by the Farm Credit Administration, and may be sold or transferred to any person subject to the approval of the issuing bank. Such stock shall be issued only at par and shall be nonvoting. Any bank may pay dividends of not to exceed 4 per centum per annum on class B stock if declared by the board of directors and approved by the Farm Credit Administration and if the surplus account of the bank, after payment of such dividends, will not be less than 25 per centum of the sum of all its outstanding capital stock. Dividends on class B stock shall not be

cumulative, but no bank shall distribute in any year any of its net savings as patronage refunds as provided in section 1134l (a) of this title unless for that year a dividend of at least 2 per centum is declared and paid upon outstanding class B stock of the bank. Each series of class B stock shall be issued only with the approval of the Farm Credit Administration and shall carry on the face of each certificate a statement of the maximum dividend which may be declared and paid thereon and of the minimum dividend which shall be declared and paid thereon before the bank may distribute any of its net savings as patronage refunds: *Provided*, That such maximum and minimum dividends may be the same amount. After all class A stock has been retired, class B stock may be called for retirement at par with the approval of the Farm Credit Administration and shall be called in such manner that the oldest outstanding stock at any given time will be retired first. Any holder of class B stock whose stock has been called for retirement may elect, with the approval of the issuing bank, to leave his stock in the bank subject to its being included in the next call for retirement.

(3) Class C stock, except as approved by the Farm Credit Administration and consented to by the issuing bank, may be issued only to banks for cooperatives and farmers' cooperative associations as defined in section 1141j (a) of this title. Such stock may be issued in fractional shares, shall be issued at its fair book value not exceeding par, as determined by the bank, and no dividends shall be paid on it. Each holder of one or more shares of class C stock which is eligible to borrow from a bank for cooperatives shall be entitled to one vote only: *Provided*, That any such holder which within the period of two years next preceding a date, fixed by the Farm Credit Administration, prior to commencement of the voting has not been a borrower from a bank of which it holds class C stock shall not be entitled to vote. From time to time each bank for cooperatives shall obtain information concerning its class C stockholders to determine whether they continue to be eligible to borrow from the bank and to vote. Any class C stockholder found by the bank to be ineligible to borrow shall not be entitled to vote until its eligibility is reestablished to the satisfaction of the bank. Whenever in sections 640a—640k and 636c (a) of this title, provision is made for a nomination or election by cooperatives which are stockholders or subscribers to the guaranty fund of any bank for cooperatives the term "cooperatives which are stockholders or subscribers to the guaranty fund" or the equivalent of that term, shall mean such cooperatives which are eligible to vote. Each borrower from a bank for cooperatives shall be required to own at the time the loan is made at least one share of class C stock. The purchase price of such stock may be retained out of the loan. In addition, each borrower as defined by the Farm Credit Administration for purposes of this sentence, shall be required to invest

quarterly in class C stock an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the bank with the approval of the Farm Credit Administration, of the amount of interest payable by it to the bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of the borrower are payable, but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during the year. Each regional bank shall purchase at least one share of class C stock of the central bank. In addition, the regional bank shall be required to invest quarterly in class C stock of the central bank an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the central bank with the approval of the Farm Credit Administration, of the amount of interest payable by the regional bank to the central bank during the calendar quarter by reason of any interest purchased by the central bank in a loan made by the regional bank. Payments for such stock shall be made to the central bank and the stock shall be issued to the regional bank in the same manner, insofar as practicable, as is provided in this section for payments for and issuance of stock on account of loans by the regional bank in which the central bank does not purchase any interest. Subject to rules prescribed by the board of directors of the lending bank with the approval of the Farm Credit Administration a borrower may convert class B stock into class C stock for the purpose of making the investment in class C stock required by this paragraph. After retirement of all class A stock, class C stock also may be retired at par by calling the oldest outstanding class C stock, but class C stock that was issued for a fiscal year period shall not be called for retirement until all class B stock that was issued during or prior to that fiscal year has been called for retirement.

(b) Guaranty fund subscriptions in lieu of stock

If a cooperative association is not authorized under the laws of the State in which it is organized to take stock in the bank, the bank shall, in lieu thereof, require the association to pay into or have on deposit in a guaranty fund of the bank, or the bank may retain out of the amount of the loan and credit to the guaranty fund, a sum equal to the amount of class C stock which the association would otherwise be required by subsection (a) (3) of this section to own at the time the loan is made and to purchase thereafter. Any such association may make additional payments into the guaranty fund from time to time in lieu of the purchase of class B stock, and shall receive credits to such fund in lieu of patronage refunds payable in class C stock. Each reference in this Act to capital stock or class B or class C stock shall include also the guaranty

fund equivalents of such stock, and, to the extent permitted under the laws of a State in which a cooperative association is organized, a holder of guaranty fund equivalents of either class B or class C stock shall have the same rights and status as a holder of class B or class C stock, respectively. The rights and obligations of the bank as respects such guaranty fund equivalents shall be identical to its rights and obligations as respects class B or class C stock, respectively.

(c) Lien on stock

Except as hereinafter provided in the case of an association which is a direct borrower from the central bank, each bank for cooperatives shall have a first lien on all stock in the bank owned by each cooperative association as additional collateral for any indebtedness of such association to the bank. In the case of an association which is a direct borrower from the central bank, the central bank shall have a first lien on any amount of class C stock which the borrowing association owns in any regional bank on account of direct loans of such association from the central bank; and the regional bank shall have a lien on such stock junior only to the lien of the central bank. In any case where the debt of a borrower is in default, the bank may, in accordance with regulations of the Farm Credit Administration, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof, not exceeding par, in total or partial liquidation of the debt, as the case may be, and, to the extent required, corresponding shares held by a regional bank in the central bank shall be retired.

(d) Calculation of proportionate interests in banks

For the purpose of determining pursuant to section 640d of this title, the amount of the capital stock and subscriptions to the guaranty fund of a regional bank for cooperatives held by cooperatives the term "capital stock and subscriptions to the guaranty fund held by cooperatives" or the equivalent of that term shall also mean all outstanding class B and class C stock and the guaranty fund equivalents thereof. (*June 16, 1933, ch. 98, title IV, § 42, 48 Stat. 264; Aug. 6, 1953, ch. 335, § 13, 67 Stat. 396; Aug. 11, 1955, ch. 785, title I, § 101, 69 Stat. 655.*)

Act Aug. 11, 1955, ch. 785, title I, which amended this section and sections 636f, 665, 1134c, 1134g, 1134h, 1134i, 1134j, 1134k, 1134l, 1138e, and 1141f (a), repealed section 1138f, and enacted section 103 (b) of this Act, set out as a note under section 1134l of this title, and section 111 of this Act, set out as a note under this section, provided by section 112 of said Act that said amendments should take effect on the first day of the month next following one hundred and twenty days after Aug. 11, 1955, or Jan. 1, 1956.

Section 111 of act Aug. 11, 1955, provided that: "This title shall be applicable to loans made before its effective date from the date on which they may be changed by agreement to conform hereto, otherwise, except as provided in this title, such loans shall be treated as though this title had not been enacted. Any cooperative association owning capital stock or guaranty fund credits in any bank for cooperatives

issued before the effective date of this title which is eligible to vote shall, as long as such eligibility continues, be entitled to vote to the same extent as a holder of class C stock which is eligible to vote; any cooperative association owning such stock or guaranty fund credits shall be entitled to have such stock or credits retired as though this title had not been enacted; and any such association may with the consent of the bank have such stock or credits, if it is found eligible to own class B or class C stock, converted in whole or in part into class B or class C stock or equivalent guaranty fund credits: *Provided*, That any bank for cooperatives with the approval of the Farm Credit Administration may retire at any time capital stock or guaranty fund credits issued before the effective date of this title held by any cooperative association and may hold the proceeds of such retired stock or guaranty fund credits as security for any indebtedness of the association to the bank."

12 U. S. C. § 1134e

F. C. Act 1933 § 43

Retirement of stock held by Government

The governor may at any time require any such bank to retire and cancel stock held by the governor in such bank, if, in the judgment of the governor, the bank has resources available therefor, and amounts received by the governor in any such case shall be credited to the revolving fund created under section 1141d of this title. (*June 16, 1933, ch. 98, title IV, § 43, 48 Stat. 265.*)

Central Bank

12 U. S. C. § 1134f

F. C. Act 1933 § 30

Establishment; location

The governor is authorized and directed to organize and charter a corporation to be known as the "Central Bank for Cooperatives" with its principal office in the District of Columbia and such other offices as in the opinion of the governor may be necessary. (*June 16, 1933, ch. 98, title III, § 30, 48 Stat. 261.*)

12 U. S. C. § 1134g

F. C. Act 1933 § 31

Board of directors

The Central Bank for Cooperatives shall have seven directors. Of this number four shall be appointed by the Governor of the Farm Credit Administration, by and with the advice and consent of the Federal Farm Credit Board, and three shall be elected by the regional banks for cooperatives and cooperative associations: *Provided*, That the terms of office of directors established prior to the effective date of title I of the Farm Credit Act of 1955 shall continue through the thirty-first day of December next following the effective date of said title I and shall expire at the end of that day. Three of the directors appointed by the Farm Credit Administration shall be appointed for terms of one year, two years, and three years, respectively, as designated at the time of appointment and the fourth appointed director shall be appointed for a term

of three years and thereafter each appointed director shall be appointed for a term of three years. Any appointed director may be removed at pleasure at any time by the Farm Credit Administration. The Farm Credit Administration shall prescribe rules and regulations for the nominations and elections required by this section. Sufficiently in advance of the first day of January next following the effective date of title I of the Farm Credit Act of 1955, and at any time subsequent to the enactment thereof, the Farm Credit Administration shall take all action necessary in order to permit the elections hereby provided and shall group the several farm credit districts into three areas, each of which shall be comprised of four contiguous farm credit districts, and a director shall be elected from nominees from each of such areas by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote. The three elected directors shall be elected for terms of one year, two years, and three years, respectively, as shall be designated by the Farm Credit Administration and thereafter elected directors shall be elected for terms of three years: *Provided*, That whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the central bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall equal or exceed $66\frac{2}{3}$ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of said bank as of the date six months before the expiration of the term of office of any appointed director, except the fourth appointed director, whose term next expires, the successor to such director shall be elected from nominees for a term of three years by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote on a basis of areas comprised of two contiguous farm credit districts as designated by the Farm Credit Administration. Appointed directors except the fourth appointed director shall continue to be replaced by elected directors in accordance with the foregoing provisions until the total number of elected directors shall be six, elected one from each of six such areas comprised of two contiguous farm credit districts. Whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the central bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall not equal or exceed $66\frac{2}{3}$ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of the banks as of the date six months before the expiration of the term of office of any elected director whose term next expires, the successor to such elected director shall, if the number of elected directors then exceeds three, be appointed by the Governor of the Farm Credit

Administration by and with the advice and consent of the Federal Farm Credit Board for a term of three years. In any such case where only one additional appointed director is needed in order to increase the total number of appointed directors to four, and the terms of office of more than one elected director next expire, the Farm Credit Administration shall designate the one of such next expiring terms of office which shall be replaced by the additional appointed director. Any vacancy in the Board whether filled by appointment or by election shall be filled for the unexpired term in the same manner in which the vacant office was filled. Each regional bank for cooperatives, each cooperative association which is a direct borrower from the central bank, each holder of one or more shares of class C stock in a regional bank for cooperatives which is eligible to vote under section 1134d (a) (3) of this title, and each holder of one or more shares of stock in the central bank or any regional bank for cooperatives issued before the effective date of title I of the Farm Credit Act of 1955 which is eligible to vote shall be eligible to vote for directors of the central bank and each such holder shall be entitled to one vote only without regard to the number of shares held in any one or more of said banks, and the vote of any such holder of stock in more than one bank shall be cast only with respect to elections in the area in which is located the main office of such holder. Elected directors shall have been, for at least two years, residents of the area for which they are elected. No person shall be eligible for nomination, election, or appointment as a director if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration or of any corporation operating under its supervision. Any person who is a member of the Federal Farm Credit Board or a district farm credit board when appointed or elected as director shall resign as a member of the Federal Farm Credit Board or the district board before assuming his duties as director of the central bank. No person who becomes such director shall be eligible to continue to serve if he becomes a member of the Federal Farm Credit Board or any district farm credit board or an officer or employee of the Farm Credit Administration or an officer or employee of any corporation operating under the supervision of the Farm Credit Administration. (*June 16, 1933, ch. 98, title III, § 31, 48 Stat. 262; Aug. 11, 1955, ch. 785, title I, § 104, 69 Stat. 659.*)

12 U. S. C. § 1134h**F. C. Act 1933 § 32****Powers of board of directors;
election of Chairman and Vice Chairman**

The Board of Directors of the Central Bank for Cooperatives shall elect a Chairman and a Vice Chairman from among its members. The powers of the Board of Directors shall be such powers as may be pre-

scribed in the charter and bylaws with the approval of the Farm Credit Administration: *Provided*, That said Board without limitation of powers conferred by section 1138 of this title shall have power, subject to approval of the Farm Credit Administration, to appoint and fix the compensation of the chief executive officer and such other officers and employees, experts, and consultants as may be necessary for the efficient conduct of the bank's business: *Provided further*, That the chief executive officer of the bank shall not be an officer or employee of the Farm Credit Administration. (*June 16, 1933, ch. 98, title III, § 32, 48 Stat. 262; Aug. 11, 1955, ch. 785, title I, § 105, 69 Stat. 661.*)

12 U. S. C. § 1134i**F. C. Act 1933 § 33****Capital stock**

The capital stock of the central bank shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under sections 1134f—1134m and 1141d of this title, and the governor may from time to time increase or decrease such amount, subject to the limitations contained in sections 1134k and 1134m of this title, in accordance with such needs. The stock of such bank shall be divided into shares of \$100 each. Out of the revolving fund created under section 1141d of this title, the governor, on behalf of the United States, shall subscribe for and make payments for stock in the Central Bank and such payments shall be subject to call in whole or in part by the Board of Directors of the Central Bank with the approval of the governor. (*June 16, 1933, ch. 98, title III, § 33, 48 Stat. 262; Aug. 11, 1955, ch. 785, title I, § 108 (a), 69 Stat. 662.*)

12 U. S. C. § 1134j**F. C. Act 1933 §§ 34, 38**

**Lending power; prevention of duplication
of effort on the part of central bank
and banks for cooperatives**

Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the Central Bank is authorized: (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended; (b) to make loans (by way of discount or otherwise) to banks for cooperatives organized under section 1134 of this title or to Federal land banks or Federal intermediate credit banks; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and

(d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks.

The governor shall, by regulation or by prescribing the terms of the charters issued to the Central Bank for Cooperatives and the Banks for Cooperatives, or both, provide such limitations, as between the two types of banks, on the classes of borrowers to which loans may be made and the amount of the loans which may be made to individual borrowers, as will best insure the absence of duplication of effort by the two types of banks and will secure the greatest efficiency in extending the benefits of sections 1134b—1134m and 1141d of this title to borrowers.

Notwithstanding any limitations or conditions imposed by law, but subject to the availability of funds, the Central Bank for Cooperatives shall have power and authority to make separate loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purpose of financing the construction of structures for the storage of agricultural commodities (other than structures to provide refrigerated cold storage or structures located in areas in which existing privately owned storage facilities for the commodity concerned are adequate) in amounts up to a maximum of 80 per centum of the cost of such structures, as approved by such bank: *Provided*, That the cooperative association which has applied for any loan shall have furnished to such bank an appropriate commitment from the Commodity Credit Corporation that the Commodity Credit Corporation will lease or guarantee utilization of not less than 75 per centum of the storage space contained in such structures when completed for a period of at least three years if such structures are not additions to existing structures, or two years if such structures are additions to existing structures. After the effective date of title I of the Farm Credit Act of 1955 any amendment in the terms of the charter issued to any bank for cooperatives and any regulation issued under authority of this section or otherwise affecting lending operations of any such bank shall be consistent with the principle that the central bank shall make loans only in cases where it is not practicable for the loan to be made by a regional bank. (*June 16, 1933, ch. 98, title III, §§ 34, 38, 48 Stat. 262, 264; June 3, 1935, ch. 164, § 13, 49 Stat. 317; Aug. 19, 1937, ch. 704, § 35, 50 Stat. 716; Oct. 31, 1949, ch. 792, title IV, § 417 (b), 63 Stat. 1059; Aug. 11, 1955, ch. 785; title I, §§ 106, 108 (b), 69 Stat. 661, 662; July 26, 1956, ch. 741, title I, § 105 (j), 70 Stat. 665.*)

12 U. S. C. § 1134k

F. C. Act 1933 § 35

Regional bank stock provisions as applicable; ownership of stock by Central Bank borrowers; payments

All provisions of law with respect to class A, class B, and class C stock in the regional banks for cooperatives shall apply to the Central

Bank for Cooperatives except as they may be inconsistent with the provisions of this section. Each borrower from the central bank shall be required to own at the time the loan is made at least one share of class C stock in such regional bank as the Farm Credit Administration shall designate and shall be required to invest quarterly in class C stock in such regional bank or banks as the Farm Credit Administration shall designate an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the central bank with the approval of the Farm Credit Administration, of the amount of interest payable by such borrower to the central bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of such borrower are payable; but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during such year. The regional bank whose stock is so issued to such borrower shall purchase a corresponding amount of class C stock in the central bank. (*June 16, 1933, ch. 98, title III, § 35, 48 Stat. 263; June 3, 1935, ch. 164, § 15, 49 Stat. 318; Aug. 11, 1955, ch. 785, title I, § 102, 69 Stat. 658.*)

12 U. S. C. § 1134f**F. C. Act 1933 § 36****Earnings and reserves—****(a) Application of savings**

Each bank for cooperatives, at the end of each fiscal year, shall determine the amount of its net savings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such savings as follows: (1) To the restoration of the amount of the impairment, if any, of capital stock, as determined by its board of directors; (2) 25 per centum of any remaining savings shall be used to create and maintain a surplus account; (3) if said bank shall have outstanding capital stock held by the United States during the whole or any part of the fiscal year, it shall next pay to the United States as a franchise tax, a sum equal to 25 per centum of its net savings then remaining, not exceeding, however, a rate of return on such Government capital calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year ending next before such tax is due, as certified to the Farm Credit Administration by the Secretary of the Treasury; (4) reasonable contingency reserves may be established; (5) dividends on class B stock may be declared as provided in section 1134d (a) (2) of this title; and (6) any remaining net savings shall be distributed as patronage refunds as provided in subsection (b) of this section: *Provided*, That any patronage refunds received by a regional bank from the central bank shall be excluded from net savings of the regional bank for the purpose of com-

puting such franchise tax. Amounts applied as provided in (2) and (4) above after the effective date of title I of the Farm Credit Act of 1955 shall be allocated on a patronage basis approved by the Farm Credit Administration. At the end of any fiscal year, any portion of the reserve established under (4) above which is no longer deemed necessary shall be transferred to the surplus account and, if the surplus account of any such bank for cooperatives exceeds 25 per centum of the sum of all its outstanding capital stock, the bank may distribute in the same manner as a patronage refund any part or all of such excess which has been allocated: *Provided*, That any surplus and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 shall not be distributed as patronage refunds. In making such distributions, the oldest outstanding allocations shall be distributed first. Wherever used in this chapter, the words "surplus account" as applied to any bank for cooperatives shall mean any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 and any amounts applied as provided in (2) above after the effective date of said title I. Said surplus account shall be divided to show the amounts thereof subject to allocation as provided in this section and may be further subdivided as prescribed by the Farm Credit Administration. In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves), such loss shall be absorbed by: first, charges to allocated contingency reserves; second, charges to allocated surplus; third, charges to other contingency reserves and surplus; fourth, the impairment of class C stock; and fifth, the impairment of all other stock.

(b) Patronage refunds

The patronage refunds of each regional bank for cooperatives shall be paid in class C stock to borrowers, as defined by the Farm Credit Administration for the purposes of this subsection, during the fiscal year for which the refunds are declared. Patronage refunds of the Central Bank for Cooperatives shall be paid in class C stock to the regional banks for cooperatives upon the basis of interests held by the central bank in loans made by the regional banks and upon direct loans made by the central bank to cooperative associations; and any part of such refunds derived from such direct loans of the central bank shall be paid in class C stock issued to the regional bank or banks which issued to the borrower the stock incident to the loans, or to a regional bank or banks designated by the Farm Credit Administration, and such bank or banks shall issue a like amount of class C stock to the borrowers. All patronage refunds shall be paid in the proportion that the amount of interest earned on the loans of each borrower bears to the total interest earned on the loans of all borrowers during the fiscal year.

(c) Distribution of assets on liquidation or dissolution

In the case of liquidation or dissolution of any bank for cooperatives, after the payment or retirement, as the case may be, first, of all liabilities; second, of all capital stock issued before the effective date of title I of the Farm Credit Act of 1955 held by cooperative associations at par, all class A stock at par, and all class B stock at par; and third, of all class C stock at par; any surpluses and contingency reserves existing on the effective date of said title I shall be paid to the holders of outstanding capital stock issued before the effective date of said title I, class A stock and class C stock pro rata, and any remaining surplus and contingency reserves shall be distributed to those entities to which they are allocated on the books of the bank. If it should become necessary to use any surplus or contingency reserves to pay any liabilities or to retire any capital stock, allocated contingency reserves and surplus shall be exhausted first in accordance with rules prescribed by the Farm Credit Administration. (*June 16, 1933, ch. 98, title III, § 36, 48 Stat. 263; Aug. 6, 1953, ch. 335, § 12, 67 Stat. 395; Aug. 11, 1955, ch. 785, title I, § 103 (a), 69 Stat. 658.*)

Section 103 (b) of act Aug. 11, 1955, provided that: "For purposes of applying the amendment in subsection (a) of this section, that part of the fiscal year 1956 preceding the effective date of title I of this Act and that part of such year following said effective date shall be deemed to be separate fiscal years."

12 U. S. C. § 1134m**F. C. Act 1933 § 37****Debentures; amount; security; preparation and issue; custody and collateral; consolidated debentures of Central Bank and regional banks**

The Central Bank is authorized to issue debentures, but the amount of debentures which may be outstanding may not exceed at any one time five times the paid-in capital and surplus of the bank. Such debentures shall be issued at such times and subject to such terms and conditions as the board of directors shall determine but shall bear such interest rates as may be fixed by the chairman of the board. Such debentures shall be secured by collateral which shall be at least equal in value to the amount of debentures outstanding and which shall consist of cash, direct obligations of the United States, or notes or other obligations discounted or purchased or representing loans made under section 1134j of this title. The provisions of law applicable to the preparation and issue of Federal intermediate credit bank debentures shall, so far as applicable, govern the preparation and issue of debentures issued under this paragraph. The governor shall appoint a custodian of such collateral who shall have power subject to such rules and regulations as the governor may prescribe to approve and accept substitutions of collateral.

When the Central Bank for Cooperatives and the regional banks for cooperatives shall by resolutions consent thereto, consolidated debentures of the thirteen banks for cooperatives may be issued in the manner and form and on terms and conditions approved by the Farm Credit Administration. There shall be a debenture committee comprised of the presidents of the twelve regional banks for cooperatives and the chief executive officer of the Central Bank for Cooperatives which shall exercise with respect to such consolidated debentures powers and functions equivalent to the powers and functions of the Bond Committee of the Federal Land Banks as authorized by the Federal Farm Loan Act, as amended, and shall operate in accordance with the provisions of law applicable to such Bond Committee. Such debentures shall be made payable at any of the banks for cooperatives and may be made payable at any Federal Reserve bank or banks designated on the face of the debentures. Such debentures shall be the joint and several obligations of the Central Bank for Cooperatives and of the regional banks for cooperatives, and each of such banks is authorized and directed to take such action as is necessary to become obligated for such debentures. The debentures shall be secured by collateral which shall be at least equal in value to the amount of debentures outstanding and which shall consist of cash, direct obligations of the United States, or notes or other obligations discounted or purchased or representing loans made under sections 1134c and 1134j of this title. The Farm Credit Administration shall appoint a custodian or custodians of such collateral who shall have power subject to such rules and regulations as the Administration may prescribe to approve and accept substitutions of collateral. The total amount of such consolidated debentures plus any outstanding individual debentures of the Central Bank which may be issued and outstanding at any time shall not exceed eight times the capital and surplus of the Central and regional banks for cooperatives. The provisions of law made applicable by the preceding paragraph of this section to the preparation and issue of debentures by the Central Bank for Cooperatives shall govern the preparation and issue of debentures under this paragraph and they shall be signed by the Governor of the Farm Credit Administration and attested by any deputy governor. Insofar as applicable, the provisions of the Federal Farm Loan Act, as amended, relative to the call for additional security and failure of any bank to pay its proportion of interest or principal shall apply to the consolidated debentures of the banks for cooperatives. Debentures issued under the provisions of this subchapter by banks for cooperatives shall be a lawful investment for all fiduciary and trust funds, and may be accepted as security for all public deposits. (*June 16, 1933, ch. 98, title III, § 37, 48 Stat. 263; Aug. 23, 1954, ch. 834, § 1, 68 Stat. 770.*)

The "provisions of law applicable to such Bond Committee", referred to in the text of second paragraph, are contained in sections 883-886 of this title.

Subchapter VI—PROVISIONS COMMON TO PRODUCTION CREDIT ASSOCIATIONS, AND REGIONAL AND CENTRAL BANKS FOR COOPERATIVES

12 U. S. C. § 1138

F. C. Act 1933 § 60

General corporate powers

The Central Bank for Cooperatives, and the Production Credit Associations, and the Banks for Cooperatives, organized under subchapters IV and V of this chapter shall have succession, until dissolved in accordance with this subchapter or any other Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of their business, to prescribe fees and charges (which in any case shall be subject to the rules and regulations prescribed by the governor) for loans and other services; and shall have such other powers necessary and incident to carrying out their powers and duties under this subchapter or any other Act of Congress as may be provided by the governor in their charters or in any amendments thereto. Each such bank, or association shall, for the purposes of jurisdiction, be deemed a citizen of the State or District within which its principal office is located. No district court of the United States shall have jurisdiction of any action or suit by or against any Production Credit Association upon the ground that it was incorporated under this chapter or that the United States owns a majority of the stock in it, nor shall any district court of the United States within the farm credit district served by such association have jurisdiction by removal or otherwise of any suit by or against any such association except in cases by or against the United States or by or against any officer of the United States and except in cases by or against any receiver of any such association appointed in accordance with section 1138e of this title. (*June 16, 1933, ch. 98, title VI, § 60, 48 Stat. 266; Aug. 19, 1937, ch. 704, § 5 (a), 50 Stat. 704; July 26, 1956, ch. 741, title I, § 105 (l), 70 Stat. 666.*)

12 U. S. C. § 1138a

F. C. Act 1933 § 61

Examinations; assessments for cost

At least once each year and at such other times as the governor deems necessary, the Central Bank for Cooperatives, and each Production Credit Association, and Bank for Cooperatives, organized under this chapter, shall be examined by examiners designated by the governor. The governor shall assess the cost of such examinations against the bank or association examined, which shall pay such costs to the governor.

The amounts so assessed and unpaid shall be a prior lien on all assets of the bank or association examined except on assets pledged to secure loans. (*June 16, 1933, ch. 98, title VI, § 61, 48 Stat. 267; July 26, 1956, ch. 741, title I, § 105 (m), 70 Stat. 666.*)

12 U. S. C. § 1138b

F. C. Act 1933 § 62

Fiscal agents of United States

The Central Bank for Cooperatives, the Production Credit Associations, the Federal Farm Mortgage Corporation, and Banks for Cooperatives, organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and when acting as such shall perform such duties as shall be prescribed by the Secretary of the Treasury. (*June 16, 1933, ch. 98, title VI, § 62, 48 Stat. 267; Jan. 31, 1934, ch. 7, § 11, 48 Stat. 347; July 26, 1956, ch. 741, title I, § 105 (n), 70 Stat. 666.*)

12 U. S. C. § 1138c

F. C. Act 1933 § 63

Tax exemption; realty and tangible personalty as subject to taxation; termination of tax exemption after retirement of Government-owned stock

The Central Bank for Cooperatives, and Production Credit Associations, and Banks for Cooperatives, organized under this chapter, and their obligations, shall be deemed to be instrumentalities of the United States, and as such, any and all notes, debentures, bonds, and other such obligations issued by such banks, or associations shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority. Such banks, and associations, their property, their franchises, capital, reserves, surplus, and other funds, and their income, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such banks, and associations, shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. The exemption provided herein shall not apply with respect to any production credit association or its property or income after the class A stock held in it by the Governor has been retired, or with respect to any bank for cooperatives or its property or income after the stock held in it by the United States has been retired. (*June 16, 1933, ch. 98, title VI, § 63, 48 Stat. 267; Aug. 11, 1955, ch. 785, title II, § 205, 69 Stat. 663; July 26, 1956, ch. 741, title I, § 105 (o), 70 Stat. 666.*)

Interest upon obligations and dividends, earnings, or other income from shares, certificates, stock, or other evidences of ownership, and gain from the sale or other disposition of such obligations and evidences of ownership issued on or after March 28, 1942, by the United States or any agency or instrumentality thereof have no exemption, as such, and loss from the sale or other disposition of such obligations or evidences of ownership shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. (31 U. S. C. 742a.)

12 U. S. C. § 1138e

F. C. Act 1933 § 65

Receivership; voluntary liquidation

Upon default of any obligation of any Production Credit Association, or Bank for Cooperatives, such bank or association may be declared insolvent and placed in the hands of a receiver by the governor and proceedings shall thereupon be had in accordance with the provisions of law relating to the insolvency of national farm loan associations. Any such bank or association may, with the consent of the governor, liquidate voluntarily, but only in accordance with such rules and regulations as the governor may prescribe. (*June 16, 1933, ch. 98, title VI, § 65, 48 Stat. 269; Aug. 11, 1955, ch. 785, title I, § 110 (a), 69 Stat. 662; July 26, 1956, ch. 741, title I, § 105 (p), 70 Stat. 666.*)

Subchapter VII—AGRICULTURAL MARKETING

This subchapter contains the Agricultural Marketing Act (approved June 15, 1929), as amended, entitled "An Act to establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries." All powers and duties of the Federal Farm Board under the Act were transferred to the Governor of the Farm Credit Administration by Ex. Ord. No. 6084, set out preceding section 636 of this title, which also abolished certain functions. Activities under the Act were greatly curtailed as a result of amendments made by the Farm Credit Act of 1933 (approved June 16, 1933), which also provided for the establishment of 12 regional banks for cooperatives and a central bank for cooperatives. All loans made from the Agricultural Marketing Act revolving fund (section 1141d of this title) have been liquidated. The revolving fund is now used to capitalize the banks for cooperatives which are authorized to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purposes and subject to the conditions and limitations set forth in such Act, as amended (see sections 1134b, 1134i, 1134c, 1134j, 1141j (a), 1141e, and 1141f of this title).

12 U. S. C. § 1141

A. M. Act § 1

Declaration of policy; effective merchandising of agricultural commodities; speculation; cooperative marketing; surpluses; administration of subchapter

(a) It is declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in interstate and foreign

commerce so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products—

(1) by minimizing speculation.

(2) by preventing inefficient and wasteful methods of distribution.

(3) by encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies.

(4) by aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.

(b) There shall be considered as a surplus for the purposes of this subchapter any seasonal or year's total surplus, produced in the United States and either local or national in extent, that is in excess of the requirements for the orderly distribution of the agricultural commodity or is in excess of the domestic requirements for such commodity.

(c) The Farm Credit Administration shall execute the powers vested in it by this subchapter only in such manner as will, in the judgment of the administration, aid to the fullest practicable extent in carrying out the policy above declared. (*June 15, 1929, ch. 24, § 1, 46 Stat. 11; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 1141b

A. M. Act § 4

General powers of Farm Credit Administration

The Farm Credit Administration—

(1) shall maintain its principal office in the District of Columbia, and such other offices in the United States as in its judgment are necessary.

(2) shall have an official seal which shall be judicially noticed.

(3) shall make an annual report to Congress upon the administration of this subchapter and any other matter relating to the better effectuation of the policy declared in section 1141 of this title, including recommendations for legislation.

(4) may make such regulations as are necessary to execute the functions vested in it by this subchapter.

(5) may appoint and fix the salaries of a secretary and such experts, and, in accordance with the Classification Act of 1949, as amended, and

subject to the provisions of the civil service laws, such other officers and employees as are necessary to execute such functions.

(6) may make such expenditures (including expenditures for rent and personal services at the seat of government and elsewhere, for law books, periodicals, and books of reference, and for printing and binding) as are necessary to execute such functions. Expenditures by the administration shall be allowed and paid upon the presentation of itemized vouchers therefor approved by the governor of the administration.

(7) may sell at public or private sale to the highest responsible bidder, upon such terms and after such public advertisement as the Farm Credit Administration may deem in the public interest, any property, real or personal, or any interest therein, acquired by the United States on account of or as a result of any loans made from the revolving fund authorized by section 1141d of this title; may lease any such property, pending its sale, on such terms and for such period, not in excess of five years, as the Farm Credit Administration may deem in the public interest; and may incur and pay, from the said revolving fund, obligations and expenses for the operation, upkeep, maintenance, repair, disposition, insurance, and protection of any such property: *Provided*, That section 5 of Title 41 shall not be construed to apply to any purchase or service on account of such property. (*June 15, 1929, ch. 24, § 4, 46 Stat. 13; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 19, 1937, ch. 704, § 37, 50 Stat. 717; Oct. 28, 1949, ch. 782, title XI, § 1106 (a), 63 Stat. 972.*)

12 U. S. C. § 1141c

A. M. Act § 5

Special powers of administration

The administration is authorized and directed—

(1) to promote education in the principles and practices of cooperative marketing of agricultural commodities and food products thereof.

(2) to encourage the organization, improvement in methods, and development of effective cooperative associations.

(3) to keep advised from any available sources and make reports as to crop prices, experiences, prospects, supply, and demand, at home and abroad. (*June 15, 1929, ch. 24, § 5, 46 Stat. 13; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title V, § 50 (a), 48 Stat. 265.*)

12 U. S. C. § 1141d

A. M. Act § 6

Revolving fund

There is authorized to be appropriated the sum of \$500,000,000 which shall be made available by the Congress as soon as practicable after the approval of this subchapter and shall constitute a revolving fund to be administered by the administration as provided in this subchapter. Any

and all funds derived from the sale, lease, operation, or other disposition of any property, real or personal, acquired by the United States on account of or as a result of any loan made pursuant to the provisions of this subchapter, shall be covered into and become a part of said revolving fund. (*June 15, 1929, ch. 24, § 6, 46 Stat. 14; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title III, §§ 33, 34, title IV, §§ 40, 41, 48 Stat. 262, 264; Aug. 19, 1937, ch. 704, § 38, 50 Stat. 718.*)

Use of revolving fund in purchasing capital stock in regional and central banks for cooperatives, see sections 1134b and 1134i of this title.

12 U. S. C. § 1141d-1

Interest rates on loans made from revolving fund

Interest rates in excess of the rates set forth in notes or other obligations taken by the Federal Farm Board or the Farm Credit Administration for loans made from the revolving fund authorized by section 1141d of this title shall not be charged or collected on any of said loans, whether such loans have been heretofore or are hereafter paid in whole or in part, except that in those cases where a borrower by specific contract has agreed to pay a higher rate of interest, the contract rate shall be charged for the period agreed upon; and the amount of any interest collected in excess of the rates thus set forth or contracted for shall be refunded out of said fund or credited on the borrower's indebtedness. (*June 22, 1939, ch. 239, 53 Stat. 853.*)

12 U. S. C. § 1141e

A. M. Act § 7

Loans to cooperative associations

(a) Upon application by any cooperative association the administration is authorized to make loans to it from the revolving fund to assist in—

(1) the effective merchandising of agricultural commodities and food products thereof and the financing of its operations;

(2) the construction or acquisition by purchase or lease, or refinancing the cost of such construction or acquisition, of physical facilities.

(b) No loan shall be made to any cooperative association unless, in the judgment of the administration, the loan is in furtherance of the policy declared in section 1141 of this title, and the cooperative association applying for the loan has an organization and management, and

business policies, of such character as to insure the reasonable safety of the loan and the furtherance of such policy.

(c) Loans for the construction or acquisition by purchase or lease of physical facilities, or for refinancing the cost of such construction or acquisition, shall be subject to the following conditions:

(1) No loan shall be made in an amount in excess of 60 per centum of the appraised value of the security therefor.

(2) No loan for the purchase or lease of such facilities shall be made unless the Governor of the Farm Credit Administration finds that the purchase price or rent to be paid is reasonable.

(d) Loans for the construction or purchase of physical facilities, together with interest on the loans, shall be repaid upon an amortization plan over a period not in excess of twenty years. (*June 15, 1929, ch. 24, § 7, 46 Stat. 14; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title V, §§ 50—53, 48 Stat. 265; June 3, 1935, ch. 164, §§ 9, 10, 49 Stat. 316.*)

Loans to cooperative associations by banks for cooperatives, established under the Farm Credit Act of 1933, and capitalized from the revolving fund provided for in section 1141d of this title, see sections 1134c and 1134j of this title.

12 U. S. C. § 1141f

A. M. Act § 8

Miscellaneous loan provisions

(a) Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan.

(b) Payments of principal or interest upon any such loan or advance shall be covered into the revolving fund.

(c) Loans to any cooperative association or stabilization corporation shall be made upon the terms specified in this subchapter and upon such other terms not inconsistent therewith and upon such security as the administration deems necessary.

(d) No loan or insurance agreement shall be made by the administration if in its judgment the agreement is likely to increase unduly the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual marketing requirements. (*June 15, 1929, ch. 24, § 8, 46 Stat. 14; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title V, § 54, 48 Stat. 266; June 3, 1935, ch. 164, § 11, 49 Stat. 316; Aug. 19, 1937, ch. 704, § 5 (a), 50 Stat. 704; Aug. 11, 1955, ch. 785, title I, § 109, 69 Stat. 662.*)

12 U. S. C. § 1141h

A. M. Act § 13

Avoidance of duplication; cooperation with other governmental establishments; obtaining information and data; cooperation with States, Territories, and agencies or subdivisions thereof; indicating research problems; transfer of offices, functions, etc.

(a) The administration shall, in cooperation with any governmental establishment in the Executive branch of the Government, including any field service thereof at home or abroad, avail itself of the services and facilities thereof in order to avoid preventable expense or duplication of effort.

(b) The President may by Executive order direct any such governmental establishment to furnish the administration such information and data as such governmental establishment may have pertaining to the functions of the administration; except that the President shall not direct that the administration be furnished with any information or data supplied by any person in confidence to any governmental establishment in pursuance of any provision of law or of any agreement with a governmental establishment.

(c) The administration may cooperate with any State or Territory, or department, agency, or political subdivision thereof, or with any person.

(d) The administration shall, through the governor, indicate to the appropriate bureau or division of the Department of Agriculture any special problem on which a research is needed to aid in carrying out the provisions of this subchapter.

(e) The President is authorized, by Executive order, to transfer to or retransfer from the jurisdiction and control of the administration the whole or any part of (1) any office, bureau, service, division, commission, or board in the Executive branch of the Government engaged in scientific or extension work, or the furnishing of services, with respect to the marketing of agricultural commodities, (2) its functions pertaining to such work or services, and (3) the records, property, including office equipment, personnel, and unexpended balances of appropriation, pertaining to such work or services. (*June 15, 1929, ch. 24, § 13, 46 Stat. 17; Ex. Ord. No. 6084, Mar. 27, 1933.*)

12 U. S. C. § 1141i

A. M. Act § 14

Examination of books and accounts

Vouchers approved by the Governor of the Farm Credit Administration for expenditures from the revolving fund pursuant to any loan or advance or from insurance moneys pursuant to any insurance agree-

ment, shall be final and conclusive upon all officers of the Government; except that all financial transactions of the administration shall, subject to the above limitations, be examined by the General Accounting Office at such times and in such manner as the Comptroller General of the United States may by regulation prescribe. (*June 15, 1929, ch. 24, § 14, 46 Stat. 18; Ex. Ord. No. 6084, Mar. 27, 1933; Aug. 30, 1954, ch. 1076, § 1 (30), 68 Stat. 968.*)

Insurance agreements, referred to in the text, were authorized to be made by section 11 of act June 15, 1929, which section was repealed by act June 16, 1933, ch. 98, title V, § 50 (a), 48 Stat. 265. Such section 11 authorized the Federal Farm Board, upon application of cooperative associations, to enter into agreements subject to specified conditions, for the insurance of the associations against loss through price decline in the agricultural commodity handled by the associations and produced by the members thereof.

12 U. S. C. § 1141j

A. M. Act § 15

Miscellaneous provisions—

(a) “Cooperative association” defined

As used in this subchapter, the term “cooperative association” means any association in which farmers act together in processing, preparing for market, handling, and/or marketing the farm products of persons so engaged, and also means any association in which farmers act together in purchasing, testing, grading, processing, distributing, and/or furnishing farm supplies and/or farm business services: *Provided, however,* That such associations are operated for the mutual benefit of the members thereof as such producers or purchasers and conform to one or both of the following requirements:

First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; and

Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum.

And in any case to the following:

Third. That the association shall not deal in farm products, farm supplies, and farm business services with or for nonmembers in an amount greater in value than the total amount of such business transacted by it with or for members. All business transacted by any cooperative association for or on behalf of the United States or any agency or instrumentality thereof shall be disregarded in determining the volume of member and nonmember business transacted by such association.

(b) Speculation prohibited

It shall be unlawful for the governor, or any officer or employee of the Farm Credit Administration to speculate directly or indirectly, in any

agricultural commodity or product thereof, or in contracts relating thereto, or in the stock or membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any person violating this subdivision shall upon conviction thereof be fined not more than \$10,000, or imprisoned not more than ten years, or both.

(c) Confidential information; disclosure prohibited

It shall be unlawful (1) for any cooperative association, stabilization corporation, clearing house association, or commodity committee, or (2) for any director, officer, employee, or member or person acting on behalf of any such association, corporation, or committee, to which or to whom information has been imparted in confidence by the administration, to disclose such information in violation of any regulation of the administration. Any such association, corporation, or committee, or director, officer, employee, or member thereof, violating this subdivision, shall be fined not more than \$5,000, or imprisoned not more than five years, or both.

(d) Governmental publications; predictions as to cotton prices prohibited

The inclusion in any governmental report, bulletin, or other such publication hereafter issued or published of any prediction with respect to cotton prices is prohibited. Any officer or employee of the United States who authorizes or is responsible for the inclusion in any such report, bulletin, or other publication of any such prediction, or who knowingly causes the issuance or publication of any such report, bulletin, or other publication containing any such prediction, shall, upon conviction thereof, be fined not less than \$500 or more than \$5,000, or imprisoned for not more than five years, or both: *Provided*, That this subdivision shall not apply to the Governor of the Farm Credit Administration when engaged in the performance of his duties herein provided.

(e) Separability clause

If any provision of this subchapter is declared unconstitutional, or the applicability thereof to any person, circumstance, commodity, or class of transactions with respect to any commodity is held invalid, the validity of the remainder of the subchapter and the applicability of such provision to other persons, circumstances, commodities, and classes of transactions shall not be affected thereby.

(f) Citation of subchapter

This subchapter may be cited as the "Agricultural Marketing Act."

(g) "Agricultural commodity"; definition

As used in this subchapter, the term "agricultural commodity" includes, in addition to other agricultural commodities, crude gum (ole-

oresin) from a living tree, and the following products as processed by the original producer of the crude gum (oleoresin) from which derived: Gum spirits of turpentine, and gum rosin, as defined in section 92 of Title 7. (*June 15, 1929, ch. 24, § 15, 46 Stat. 18; Mar. 4, 1931, ch. 520, § 3, 46 Stat. 1550; Ex. Ord. No. 6084, Mar. 27, 1933; June 16, 1933, ch. 98, title V, § 55, 48 Stat. 266; June 3, 1935, ch. 164, § 12, 49 Stat. 317.*)

Title 18—CRIMES AND CRIMINAL PROCEDURE

The following extracts from Title 18 include only those sections which originated in whole or in part in earlier statutory provisions specifically applicable to the Farm Credit Administration, corporations under its supervision, or personnel thereof. They do not include other sections of Title 18 of general application which also apply to such administration, corporations, or personnel but did not have such an origin.

18 U. S. C. § 217

Offer of loan or gratuity to bank examiner

Whoever, being an officer, director or employee of a bank which is a member of the Federal Reserve System or the deposits of which are insured by the Federal Deposit Insurance Corporation, or of any National Agricultural Credit Corporation, or of any land bank, national farm loan association or other institution subject to examination by a farm credit examiner, makes or grants any loan or gratuity, to any examiner or assistant examiner who examines or has authority to examine such bank, corporation, or institution, shall be fined not more than \$5,000 or imprisoned not more than one year, or both; and may be fined a further sum equal to the money so loaned or gratuity given.

The provisions of this section and section 218 of this title shall apply to all public examiners and assistant examiners who examine member banks of the Federal Reserve System or insured banks, or National Agricultural Credit Corporations, whether appointed by the Comptroller of the Currency, by the Board of Governors of the Federal Reserve System, by a Federal Reserve Agent, by a Federal Reserve bank or by the Federal Deposit Insurance Corporation, or appointed or elected under the laws of any state; but shall not apply to private examiners or assistant examiners employed only by a clearing house association or by the directors of a bank. (*June 25, 1948, ch. 645, § 1, 62 Stat. 694.*)

18 U. S. C. § 218**Acceptance of loan or gratuity by bank examiner**

Whoever, being an examiner or assistant examiner of member banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation, or a farm credit examiner or examiner of National Agricultural Credit Corporations, accepts a loan or gratuity from any bank, corporation, association or organization examined by him or from any person connected therewith, shall be fined not more than \$5,000 or imprisoned not more than one year, or both; and may be fined a further sum equal to the money so loaned or gratuity given, and shall be disqualified from holding office as such examiner. (*June 25, 1948, ch. 645, § 1, 62 Stat. 695.*)

18 U. S. C. § 220**Receipt of commissions or gifts
for procuring loans**

Whoever, being an officer, director, employee, agent, or attorney of any bank, the deposits of which are insured by the Federal Deposit Insurance Corporation, of a Federal intermediate credit bank, or of a National Agricultural Credit Corporation, except as provided by law, stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value, from any person, firm, or corporation, for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation, from any such bank or corporation, any loan or extension or renewal of loan or substitution of security, or the purchase or discount or acceptance of any paper, note, draft, check, or bill of exchange by any such bank or corporation, shall be fined not more than \$5,000 or imprisoned not more than one year or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 695; Sept. 21, 1950, ch. 967, § 4, 64 Stat. 894.*)

18 U. S. C. § 221**Receipt or charge of commissions or gifts
for farm loan or land bank transactions**

Whoever, being an officer, director, attorney, or employee of a national farm loan association, a Federal land bank, or a joint stock land bank, organized or acting under authority of any law of the United States, is a beneficiary of or receives, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of such association or bank, other than the usual salary or director's fee paid to such officer, director, or employee thereof, and a reasonable fee paid by such association or bank to such officer, di-

rector, attorney, or employee for services rendered, shall be fined not more than \$5,000 or imprisoned not more than one year, or both.

Whoever causes or procures any Federal land bank, joint stock land bank or national farm loan association, organized under any Act of Congress, to charge or receive any fee, commission, bonus, gift, or other consideration not specifically authorized, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 695.*)

18 U. S. C. § 371

Conspiracy to commit offense or to defraud United States

If two or more persons conspire either to commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

If, however, the offense, the commission of which is the object of the conspiracy, is a misdemeanor only, the punishment for such conspiracy shall not exceed the maximum punishment provided for such misdemeanor. (*June 25, 1948, ch. 645, § 1, 62 Stat. 701.*)

18 U. S. C. § 431

Contracts by Member of Congress

Whoever, being a Member of or Delegate to Congress, or a Resident Commissioner, either before or after he has qualified, directly or indirectly, himself, or by any other person in trust for him, or for his use or benefit, or on his account, undertakes, executes, holds, or enjoys, in whole or in part, any contract or agreement, made or entered into in behalf of the United States or any agency thereof, by any officer or person authorized to make contracts on its behalf, shall be fined not more than \$3,000.

All contracts or agreements made in violation of this section shall be void; and whenever any sum of money is advanced by the United States or any agency thereof, in consideration of any such contract or agreement, it shall forthwith be repaid; and in case of failure or refusal to repay the same when demanded by the proper officer of the department or agency under whose authority such contract or agreement shall have been made or entered into, suit shall at once be brought against the person so failing or refusing and his sureties for the recovery of the money so advanced. (*June 25, 1948, ch. 645, § 1, 62 Stat. 702; Oct. 31, 1951, ch. 655, § 19, 65 Stat. 717.*)

18 U. S. C. § 432**Officer or employee contracting
with Member of Congress**

Whoever, being an officer or employee of the United States, on behalf of the United States or any agency thereof, directly or indirectly makes or enters into any contract, bargain, or agreement, with any Member of or Delegate to Congress, or any Resident Commissioner, either before or after he has qualified, shall be fined not more than \$3,000. (*June 25, 1948, ch. 645, § 1, 62 Stat. 702.*)

18 U. S. C. § 433**Exemptions with respect to certain contracts**

Sections 431 and 432 of this title shall not extend to any contract or agreement made or entered into, or accepted by any incorporated company for the general benefit of such corporation; nor to the purchase or sale of bills of exchange or other property where the same are ready for delivery and payment therefor is made at the time of making or entering into the contract or agreement. Nor shall the provisions of such sections apply to advances, loans, discounts, purchase or repurchase agreements, extensions, or renewals thereof, or acceptances, releases or substitutions of security therefor or other contracts or agreements made or entered into under the Reconstruction Finance Corporation Act, the Agricultural Adjustment Act, the Federal Farm Loan Act, the Emergency Farm Mortgage Act of 1933, the Federal Farm Mortgage Corporation Act, the Farm Credit Act of 1933, or the Home Owners Loan Act of 1933, the Farmers' Home Administration Act of 1946, the Bankhead-Jones Farm Tenant Act, or to crop insurance agreements or contracts or agreements of a kind which the Secretary of Agriculture may enter into with farmers.

Any exemption permitted by this section shall be made a matter of public record. (*June 25, 1948, ch. 645, § 1, 62 Stat. 703.*)

18 U. S. C. § 493**Bonds and obligations
of certain lending agencies**

Whoever falsely makes, forges, counterfeits or alters any note, bond, debenture, coupon, obligation, instrument, or writing in imitation or purporting to be in imitation of, a note, bond, debenture, coupon, obligation, instrument or writing, issued by the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, Home Owners' Loan Corporation, Farm Credit Administration, Federal Housing Administration, Federal Farm Mortgage Corporation or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage,

insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States, shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

Whoever passes, utters, or publishes, or attempts to pass, utter or publish any note, bond, debenture, coupon, obligation, instrument or document knowing the same to have been falsely made, forged, counterfeited or altered, contrary to the provisions of this section, shall be fined not more than \$10,000 or imprisoned not more than five years, or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 711.*)

18 U. S. C. § 657

Lending, credit and insurance institutions

Whoever, being an officer, agent or employee of or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, Home Owners' Loan Corporation, Farm Credit Administration, Federal Housing Administration, Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the Farmers' Home Administration, or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States or any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, and whoever, being a receiver of any such institution, or agent or employee of the receiver, embezzles, abstracts, purloins or willfully misapplies any moneys, funds, credits, securities or other things of value belonging to such institution, or pledged or otherwise intrusted to its care, shall be fined not more than \$5,000 or imprisoned not more than five years, or both; but if the amount or value embezzled, abstracted, purloined or misapplied does not exceed \$100, he shall be fined not more than \$1,000 or imprisoned not more than one year, or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 729; May 24, 1949, ch. 139, § 11, 63 Stat. 90; July 28, 1956, ch. 773, § 1, 70 Stat. 714.*)

18 U. S. C. § 658

Property mortgaged or pledged to farm credit agencies

Whoever, with intent to defraud, knowingly conceals, removes, disposes of, or converts to his own use or to that of another, any property mortgaged or pledged to, or held by, the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the Farmers' Home Administration, any production credit association organized under

sections 1131—1134m of Title 12, any regional agricultural credit corporation, or any bank for cooperatives, shall be fined not more than \$5,000 or imprisoned not more than five years, or both; but if the value of such property does not exceed \$100, he shall be fined not more than \$1,000 or imprisoned not more than one year, or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 729; May 24, 1949, ch. 139, § 12, 63 Stat. 91; Oct. 31, 1951, ch. 655, § 21, 65 Stat. 718; July 26, 1956, ch. 741, title I, § 109, 70 Stat. 667.*)

18 U. S. C. § 709

False advertising or misuse of names to indicate Federal agency

Whoever, except as permitted by the laws of the United States, uses the words “national”, “Federal”, “United States”, “reserve”, or “Deposit Insurance” as part of the business or firm name of a person, corporation, partnership, business trust, association or other business entity engaged in the banking, loan, building and loan, brokerage, factorage, insurance, indemnity, savings or trust business; or

Whoever falsely advertises or represents, or publishes or displays any sign, symbol or advertisement reasonably calculated to convey the impression that a nonmember bank, banking association, firm or partnership is a member of the Federal reserve system; or

Whoever, except as expressly authorized by Federal law, uses the words “Federal Deposit”, “Federal Deposit Insurance”, or “Federal Deposit Insurance Corporation” or a combination of any three of these words, as the name or a part thereof under which he or it does business, or advertises or otherwise represents falsely by any device whatsoever that his or its deposit liabilities, obligations, certificates, or shares are insured or guaranteed by the Federal Deposit Insurance Corporation, or by the United States or by any instrumentality thereof, or whoever advertises that his or its deposits, shares, or accounts are federally insured, or falsely advertises or otherwise represents by any device whatsoever the extent to which or the manner in which the deposit liabilities of an insured bank or banks are insured by the Federal Deposit Insurance Corporation; or

Whoever, not being organized under chapter 7 of Title 12, advertises or represents that it makes Federal Farm loans or advertises or offers for sale as Federal Farm loan bonds any bond not issued under chapter 7 of Title 12, or uses the word “Federal” or the words “United States” or any other words implying Government ownership, obligation or supervision in advertising or offering for sale any bond, note, mortgage or other security not issued by the Government of the United States under the provisions of said chapter 7 or some other Act of Congress; or

Whoever uses the words “Federal Home Loan Bank” or any combination or variation of these words alone or with other words as a business

name or part of a business name, or falsely publishes, advertises or represents by any device or symbol or other means reasonably calculated to convey the impression that he or it is a Federal Home Loan Bank or member of or subscriber for the stock of a Federal Home Loan Bank; or

Whoever uses the words "National Agricultural Credit Corporation" as part of the business or firm name of a person, corporation, partnership, business trust, association or other business entity not organized under the laws of the United States as a National Agricultural Credit Corporation; or

Whoever uses the words "Federal intermediate credit bank" as part of the business or firm name for any person, corporation, partnership, business trust, association or other business entity not organized as an intermediate credit bank under the laws of the United States; or

Whoever uses as a firm or business name the words "Housing and Home Finance Agency", "Federal Housing Administration", "Federal National Mortgage Association", or "Public Housing Administration", or the letters "FHA" or any combination or variation of those words or the letters "FHA" alone or with other words or letters reasonably calculated to convey the false impression that such name or business has some connection with, or authorization from, the Housing and Home Finance Agency, the Federal Housing Administration, the Federal National Mortgage Association, the Public Housing Administration, the Government of the United States or any agency thereof, which does not in fact exist, or falsely claims that any repair, improvement, or alteration of any existing structure is required or recommended by the Housing and Home Finance Agency, the Federal Housing Administration, the Federal National Mortgage Association, the Public Housing Administration, the Government of the United States or any agency thereof, for the purpose of inducing any person to enter into a contract for the making of such repairs, alterations, or improvements, or falsely advertises or falsely represents by any device whatsoever that any housing unit, project, business, or product has been in any way endorsed, authorized, inspected, appraised, or approved by the Housing and Home Finance Agency, the Federal Housing Administration, the Federal National Mortgage Association, the Public Housing Administration, the Government of the United States or any agency thereof; or

Whoever, except with the written permission of the Director of the Federal Bureau of Investigation, knowingly uses the words "Federal Bureau of Investigation" or the initials "F. B. I.", or any colorable imitation of such words or initials, in connection with any advertisement, circular, book, pamphlet or other publication, play, motion picture, broadcast, telecast, or other production, in a manner reasonably calculated to convey the impression that such advertisement, circular, book, pamphlet or other publication, play, motion picture, broadcast, telecast,

or other production, is approved, endorsed, or authorized by the Federal Bureau of Investigation; or

Whoever uses as a firm or business name the words "Reconstruction Finance Corporation" or any combination or variation of these words—

Shall be punished as follows: a corporation, partnership, business trust, association, or other business entity, by a fine of not more than \$1,000; an officer or member thereof participating or knowingly acquiescing in such violation or any individual violating this section, by a fine of not more than \$1,000 or imprisonment for not more than one year, or both.

This section shall not make unlawful the use of any name or title which was lawful on the date of enactment of this title.

This section shall not make unlawful the use of the word "national" as part of the name of any business or firm engaged in the insurance or indemnity business, whether such firm was engaged in the insurance or indemnity business prior or subsequent to the date of enactment of this paragraph.

A violation of this section may be enjoined at the suit of the United States Attorney, upon complaint by any duly authorized representative of any department or agency of the United States. (*June 25, 1948, ch. 645, § 1, 62 Stat. 733; Sept. 21, 1950, ch. 967, § 3 (a), 64 Stat. 894; Oct. 31, 1951, ch. 655, § 22, 65 Stat. 719; July 3, 1952, ch. 547, 66 Stat. 321; Aug. 2, 1954, ch. 649, title I, § 131, 68 Stat. 609; Aug. 27, 1954, ch. 1008, 68 Stat. 867.*)

18 U. S. C. § 1006

Federal credit institution entries, reports and transactions

Whoever, being an officer, agent or employee of or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, Home Owners' Loan Corporation, Farm Credit Administration, Federal Housing Administration, Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the Farmers' Home Administration, or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States or any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, with intent to defraud any such institution or any other company, body politic or corporate, or any individual, or to deceive any officer, auditor, examiner or agent of any such institution or of department or agency of the United States, makes any false entry in any book, report or statement of or to any such institution, or without being duly authorized, draws

any order or bill of exchange, makes any acceptance, or issues, puts forth or assigns any note, debenture, bond or other obligation, or draft, bill of exchange, mortgage, judgment, or decree, or, with intent to defraud the United States or any agency thereof, or any corporation, institution, or association referred to in this section, participates or shares in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other act of any such corporation, institution, or association, shall be fined not more than \$10,000 or imprisoned not more than five years, or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 750; May 24, 1949, ch. 139, § 20, 63 Stat. 92; July 28, 1956, ch. 773, § 2, 70 Stat. 714.*)

18 U. S. C. § 1011

Federal land bank mortgage transactions

Whoever, being a mortgagee, knowingly makes any false statement in any paper, proposal, or letter, relating to the sale of any mortgage, to any Federal land bank; or

Whoever, being an appraiser, willfully overvalues any land securing such mortgage—

Shall be fined not more than \$5,000 or imprisoned not more than one year, or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 751.*)

18 U. S. C. § 1013

Farm loan bonds and credit bank debentures

Whoever deceives, defrauds, or imposes upon, or attempts to deceive, defraud, or impose upon any person, partnership, corporation, or association by making any false pretense or representation concerning the character, issue, security, contents, conditions, or terms of any farm loan bond, or coupon, issued by any Federal land bank or banks, or by any joint stock land bank or banks; or of any debenture, coupon, or other obligation, issued by any Federal intermediate credit bank or banks, or by any National Agricultural Credit Corporation; or by falsely pretending or representing that any farm loan bond, or coupon, is anything other than, or different from, what it purports to be on the face of said bond or coupon, shall be fined not more than \$500 or imprisoned not more than one year, or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 752.*)

18 U. S. C. § 1014

Loan and credit applications generally; renewals and discounts; crop insurance

Whoever knowingly makes any false statement or report, or willfully overvalues any land, property or security, for the purpose of influencing

in any way the action of the Reconstruction Finance Corporation, Farm Credit Administration, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the Farmers' Home Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any division, officer, or employee thereof, or of any corporation organized under sections 1131—1134m of Title 12, or of any regional agricultural credit corporation established pursuant to law, or of the National Agricultural Credit Corporation, a Federal Home Loan Bank, the Federal Home Loan Bank Board, the Home Owners' Loan Corporation, a Federal Savings and Loan Association, a Federal land bank, a joint stock land bank, a National farm loan association, or of a Federal Reserve bank, upon any application, advance, discount, purchase, purchase agreement, repurchase agreement, commitment, or loan, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be fined not more than \$5,000 or imprisoned not more than two years, or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 752; May 24, 1949, ch. 139, § 21, 63 Stat. 92; July 26, 1956, ch. 741, title I, § 109, 70 Stat. 667.*)

18 U. S. C. § 1907

Disclosure of information by farm credit examiner

Whoever, being a farm credit examiner or any examiner, public or private, discloses the names of borrowers of any national farm loan association, Federal land bank, or joint stock land bank, or any organization examined by him under the provisions of law relating to Federal intermediate credit banks, to other than the proper officers of such institution or organization, without first having obtained express permission in writing from the Land Bank Commissioner or from the board of directors of such institution or organization, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States or either House thereof, or any committee of Congress or either House duly authorized, shall be fined not more than \$5,000 or imprisoned not more than one year, or both; and shall be disqualified from holding office as a farm credit examiner. (*June 25, 1948, ch. 645, § 1, 62 Stat. 791.*)

Abolishment of office of Land Bank Commissioner, see section 636f (a) of Title 12, Banks and Banking.

18 U. S. C. § 1909

Examiner performing other services

Whoever, being a national-bank examiner, Federal Deposit Insurance Corporation examiner, farm credit examiner, or an examiner of Na-

tional Agricultural Credit Corporations, performs any other service, for compensation, for any bank or banking or loan association, or for any officer, director, or employee thereof, or for any person connected therewith in any capacity, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. (*June 25, 1948, ch. 645, § 1, 62 Stat. 792.*)

18 U. S. C. § 3056

Secret Service powers.

Subject to the direction of the Secretary of the Treasury, the United States Secret Service, Treasury Department, is authorized to protect the person of the President of the United States and members of his immediate family, the President-elect, and the Vice President at his request; detect and arrest any person committing any offense against the laws of the United States relating to coins, obligations, and securities of the United States and of foreign governments; detect and arrest any person violating any of the provisions of sections 508 and 509 of this title and, insofar as the Federal Deposit Insurance Corporation, Federal land banks, joint stock land banks and national farm loan associations are concerned, of sections 218, 221, 433, 493, 657, 709, 1006, 1007, 1011, 1013; 1014, 1907, and 1909 of this title; execute warrants issued under the authority of the United States; carry firearms; offer and pay rewards for services or information looking toward the apprehension of criminals; and perform such other functions and duties as are authorized by law. (*June 25, 1948, ch. 645, § 1, 62 Stat. 818; July 16, 1951, ch. 226, § 4, 65 Stat. 122; Aug. 31, 1954, ch. 1143, § 2, 68 Stat. 999.*)

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